

SUPPLEMENT TO THE HEARING ENTITLED
"RESTRICTIONS ON THE USE OF FOREIGN-
MADE CEMENT IN FEDERAL-AID HIGH-
WAY PROJECTS" HELD AUGUST 1, 1984

BY THE
SUBCOMMITTEE ON TRANSPORTATION
OF THE
COMMITTEE ON ENVIRONMENT AND
PUBLIC WORKS
UNITED STATES SENATE



NOVEMBER 1984

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DEPUTY UNITED STATES TRADE REPRESENTATIVE
EXECUTIVE OFFICE OF THE PRESIDENT

September 18, 1984

The Honorable Steve Symms
Chairman, Subcommittee on
Transportation
Committee on Environment and
Public Works
United States Senate
Washington, D.C. 20510

Dear Senator Symms:

I enjoyed the opportunity to appear before your Subcommittee on August 1 to present the Administration's case against Buy American restrictions on cement. Your hearings provided an excellent forum for an impartial airing of this issue.

The Administration has deeply appreciated your Committee's strong stand against the imposition of new Buy America restrictions. I believe that, on balance, the hearings showed the wisdom of this stance.

Enclosed are responses to the follow-up questions included in your letter of September 6. Please let me know if I can be of any further assistance.

Sincerely yours,

ROBERT E. LIGHTHIZER

Enclosure

(1)

RESPONSES TO QUESTIONS TO AMBASSADOR ROBERT LIGHTHIZERQuestion

Those who favor Buy America cite a lack of trade reciprocity on the part of foreign governments. What types of remedies are presently available to American firms when they encounter unfair trade barriers?

Answer

Section 301 of the Trade Act of 1974, which is administered by this office, provides an avenue for U.S. firms to seek relief from foreign trade barriers. It provides a mechanism for U.S. firms to petition the U.S. Government to take action through appropriate channels against unreasonable trade impediments. In regard to the question of reciprocity, it is important to keep in mind that the United States has its share of Buy National restrictions. We have the Buy America Act of 1933, the Buy America provisions of the Surface Transportation Assistance Act of 1982, and various prohibitions against purchasing certain products from foreign sources. In addition, over half of the states have some form of Buy America restrictions. With this in mind, we have been working with our trading partners to negotiate the reciprocal elimination of such restrictions through an expansion of the international Government Procurement Code.

Question

Which are the leading countries of origin for cement imports? Also, how much cement does the United States export?

Answer

In 1983 the leading foreign suppliers of U.S. cement imports were Canada, Mexico and Spain. The United States exported 118,000 tons of cement valued at \$17.4 million in 1983. Our major export markets are Canada and Mexico.

Question

At present, H.R. 5504, the companion highway bill to S.2527, contains a provision that would restrict cement imports from "any foreign country located in North America." Do you know how much cement is being imported from countries other than Canada and Mexico? What would be the rationale for restricting cement only from those countries?

Answer

In 1983 imports of cement from countries other than Canada and Mexico were valued at approximately \$39 million. We see no rationale for any Buy America restrictions on cement.

Question

It has been argued that the United States needs leverage, such as a Buy America restriction for cement, in order to make the Canadian procurement market more accessible to American companies. Can you comment on this assertion?

Answer

Current Buy America restrictions provide more than enough incentive for the Canadians to take an interest in negotiating greater access to procurement markets. In fact, Canada is already pressing us for a bilateral agreement to waive Buy National restrictions on a reciprocal basis and is strongly supporting our efforts to broaden the international Government Procurement Code. Adoption of new restrictions in the face of Canada's proposal to reduce restrictions would signal to the Canadians that we are more interested in erecting restrictions than negotiating them away.

Question

In his testimony, Mr. Piecuch of the National Gypsum Company complains about the disparity in volume between U.S. and Canadian cement imports. Do you view this disparity as indicative of unfair trade practices on the part of Canada?

Answer

Statistics that simply compare how much of a product we sell to a country compared to how much they sell to the United States can be very misleading. The disparity in shipments of cement from the United States to Canada and vice versa is hardly surprising given the difference between the sizes of our two economies. Canada's economy is only about one tenth the size of the U.S. economy and their total consumption of cement, from both domestic and foreign sources, is less than one tenth of ours. Comparing relative rates of import penetration paints a considerably different picture. In 1983, Canada captured 3.1% of the U.S. cement market while U.S. exports captured about 1.6% percent of the Canadian cement market.

Question

We understand that one U.S. firm was hurt in its efforts to sell cement in Canada by Canadian restrictions against U.S. trucking?

Answer

This is the first that we have heard of this problem. It is unfortunate that the firm involved didn't bring this matter to our attention. Under a recent bilateral agreement Canada has committed itself to providing full fair and equitable treatment to U.S. truckers. If this firm will come forward to us with the details of its case we would be eager to raise this problem with the Canadian government.

Question

Has Canada's exclusion of its Department of Transportation from the coverage of the Government Procurement Code had a significant impact on U.S. exports of cement to Canada?

Answer

We do not have detailed data on purchases by Canada's Department of Transportation but our understanding is that it is not a significant purchaser of cement. Purchases of cement may be involved in construction contracts awarded by the Department, as they are in the case of construction contracts awarded by U.S. agencies. However, construction contracts are not covered by the Government Procurement Code.



UNITED STATES DEPARTMENT OF COMMERCE
International Trade Administration
Washington, D. C. 20230

SEP 13 1984

Honorable Steve Symms
United States Senate
Washington, D.C. 20510

Dear Senator Symms,

Thank you for your letter of September 6, detailing four follow-up questions to Assistant Secretary Dennin's testimony before your Subcommittee on August 1. Assistant Secretary Dennin is out of the country and has asked me to respond to your questions in his absence.

Your first question referred to the Commerce Department Construction Review article. I would first like to reiterate the point made by Assistant Secretary Dennin in his testimony to clear up a persistent misunderstanding. The table that appeared in Construction Review did not break out the effect of the Buy American restriction on cement on the creation of U.S. jobs. The table contained an estimate of the domestic jobs likely to be created as a result of the whole 1982 Surface Transportation Assistance Act (STAA) program, especially the increased funding level. To our knowledge, no study has isolated the effect of the Buy American cement restriction on jobs creation.

In response to your question, the Commerce Department has not done a follow-up study to measure the actual job creation under the 1982 STAA. We therefore do not know whether the projections in the Construction Review article were correct.

In your second question you asked how many domestic companies are importing cement. There are currently ten domestic companies that are importing cement to supplement their own production. These companies are identified in Attachment I.

In your third question you asked for information on foreign ownership in U.S. cement companies and U.S. ownership in foreign cement companies. This information is given in Attachments II and III, respectively. We are also providing for your information a full listing of all U.S. cement producing plants with a designation as to whether or not they are foreign owned. This information is provided in Attachment IV.

Your fourth question asked about changes in cement availability and price during the recent period of statutory protection. A Buy American restriction for cement was in place from January 1983 to March 1984. Attachment V shows Portland cement shipments and the price index for this period of time. For your information, we have also included these data for the period prior to imposition of the



-2-

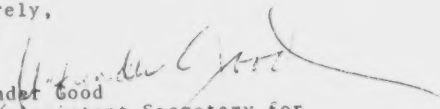
restriction and immediately following its elimination. It should be noted that the changes in shipments and price during the period that the cement Buy American restriction was in effect were influenced by many other factors. For example, during this period the demand for cement for industrial and commercial construction was increasing and the demand for cement for office building was very strong. Factors such as these would have been more influential in affecting movements in shipment quantities and prices than the Buy American restriction.

We are not aware of any analysis which isolates the effect of the Buy American restriction alone on prices and shipments.

In using the data in Attachment V, you should be aware that, because of the seasonality of cement demand, monthly Portland cement shipments should only be compared to those in the same month of a different year.

Please contact us again if you have further questions.

Sincerely,


Alexander Good
Deputy Assistant Secretary for
International Economic Policy

ATTACHMENT I

U.S. CEMENT PRODUCERS ALSO IMPORTING CEMENT IN 1984
(Source: Bureau of Mines)

Kaiser
Lone Star
Ideal
Dundee*
Moore McCormick
Atlantic
Rinker
General Portland *
Lehigh*
Continental*

*Considered foreign owned

ATTACHMENT II

FOREIGN OWNED PORTLAND CEMENT COMPANIES AND PLANTS IN THE UNITED STATES

(Foreign Country of Ownership)

	CLINKER CAPACITY (THOUSAND TONS)
Alamo Cement Co., San Antonio, Texas (Italy, Switzerland) Plant: Bexar County, Texas	650
Blue Circle Inc., Birmingham, Alabama (UK) Plants: Roberta, Ala. Atlanta, Ga. Tulsa, Okla.	600 500 600
Continental Cement Co., Fort Lauderdale, Fla. (Sweden) Plant: Hannibal, Missouri	600
Coplay Cement Co., Nazareth, Pa. (France) Plants: Frederick, Md. Nazareth, Pa.	370 970
Davenport Cement Co., Davenport, Iowa (Switzerland) Plant: Buffalo, Iowa	780
Dundee Cement Co., Dundee, Mich. (Switzerland) Plants: Dundee, Michigan Clarksville, Missouri Holly Hill, S.C.	880 1,280 1,060
General Portland, Dallas, Texas (Canadian Subsidiary of French Co.) Plants: Demopolis, Ala. Lebec, Calif. Miami, Fla. Tampa, Fla. Fredonia, Kansas Paulding, Ohio Cementon, Pa. Dallas, Texas Fort Worth, Texas New Braunfels, Texas	720 580 540 565 380 500 760 460 690 955
Genstar Cement & Lime, San Francisco, Calif. (Canada) Plants: Redding, Calif. San Andreas, Calif.	570 575

CLINKER CAPACITY
(THOUSAND TONS)

Hercules Cement Co., Stockertown, Pa. (Italy) Plant: Stockertown, Pa.	520
Lehigh Portland Cement Co., Allentown, Pa. (West Germany) Plants: Leeds, Ala. Mitchell, Ind. Mason City, Iowa Independence, Kansas Union Bridge, Md. Cementon, N.Y. York, Pa. (white cement only) Waco, Texas Metaline Falls, Wash.	570 760 780 280 930 500 110 390 230
National Cement Co., Birmingham, Ala. (France) Plant: Ragland, Alabama	800
River Cement Co., Manchester, Missouri (Italy and others, including U.S.) Plant: Selma, Missouri	1,120
Signal Mountain Cement, Chattanooga, Tenn. (Italy and others, including U.S.) Plant: Chattanooga, Tenn.	450
St. Lawrence Cement, Quebec, Canada (Canada) Plant: Catskill, N.Y.	570
St. Mary's Cement, Toronto, Canada (Canada) Plant: Detroit, Mich.	710

TOTALS

Total U.S. Portland Cement Clinker Capacity Foreign owned or mostly foreign owned	24,305
Total U.S. Portland Cement Clinker Capacity (Source: Portland Cement Association)	88,301
Percent of U.S. Cement Clinker Capacity that is foreign owned*	28% **

*There is, of course some U.S. investment in firms listed as foreign owned and some foreign investment in firms considered U.S. owned.

** This ratio is higher for finished Portland Cement.

ATTACHMENT III

U.S. CEMENT INDUSTRY INVESTMENT OVERSEAS IN CEMENT OPERATIONS
(Source: Department of Commerce)

Lone Star Cement

Argentina	2 plants
Brazil	4 plants
Uruguay	1 plant

Kaiser

Hong Kong	Lost money --- presently writing off this operation
Indonesia	1 plant

ATTACHMENT IV

U. S. Cement Clinker Producing Plants-
(FO= Foreign Owned)

Alamo Cement Company
FO - Joint Venture Presa S.P.A. Cementeria di Robilante,
Italy and Cementwerke Vigier, A. G., Switzerland
P. O. Box 6925
San Antonio, Texas 78209
512-824-7551

Plant: Bexar County, Texas (2)

Aluminum Company of America
1501 Alcoa Building
Pittsburgh, Pa. 15219
412-553-4545

Plant: Bauxite, Arkansas (1)
(Calcium Aluminate Cement Only)

Arkansas Cement Corporation
Arkansas Louisiana Gas Company
P. O. Box 751
Little Rock, Arkansas 72203
501-370-2788

Plant: Foreman, Arkansas (2)

Armstrong Cement Supply
R. D. 2
Cabot, Pa. 16023
412-352-9401

Plant: Cabot, Pa. (1)

Ash Grove Cement Company
P. O. Box 25900
Overland Park, Kansas 66225
913-381-8900

Plants: Inkom, Idaho (Idaho Portland) (1)
Chanute, Kansas (1)
Louisville, Nebraska (2)
Durkee, Oregon (Oregon Portland) (2)
Lake Oswego, Oregon (Oregon Portland) (1)
Seattle, Washington (1)

Atlantic Cement Company
Newmont Mining Corp.
P. O. Box 30
Stamford, Conn. 06904
203-327-3100

Plants: Sparrows Point, Maryland (2)
(slag cement)
Ravina, New York (3)

Blue Circle Incorporated
 FO - Blue Circle, UK and Cementia Holdings
 18th Floor, Daniel Building
 Birmingham, Alabama 35233
 205-324-5651

Plants: Roberta (Calera), Alabama (2)
 Atlanta, Georgia (2)
 Tulsa, Oklahoma (2)

Calmat Co. (formally California Portland Cement Co.)
 3200 San Fernando Rd.
 Los Angeles, Calif. 90065
 213-680-2316

Plants: Rillito, Arizona (Arizona Portland) (3)
 Colton, Calif (2)
 Mojave, Calif. (3)

Capital Aggregates, Inc.
 H. B. Zachry Company
 P. O. Drawer 33240
 San Antonio, Texas 78233
 512-655-3010

Plant: San Antonio, Texas (2)

Centex Corporation
 4600 Republic Bank Tower
 Dallas, Texas 75201
 214-748-7901

Plants: La Salle, Illinois (Illinois Cement) (1)
 Fernley, Nevada (Nevada Cement) (1)
 Austin (Buda), Texas (Texas Cement) (3)
 Corpus Christi, Texas (Centex Cement) (1)

Cianbro Corp. (Dragon Cement)
 P. O. Box 191
 Thomaston, Maine 04861
 207-594-5555

Plant: Thomaston, Maine (1)

Columbia Cement
 Ashland Oil
 6100 Channing Way Blvd.
 Columbus, Ohio 43216
 614-863-0316

Plants: Zanesville, Ohio (2)
 Bellingham, Washington (1)*

Continental Cement Company
 FO - Cementa A. B., Sweden
 P.O. Box 13128
 Port Everglades Station
 Fort Lauderdale, Florida 33316
 305-523-6416

Plant: Hannibal, Missouri (2)

Coplay Cement Company
 FO - Societe des Ciments Francais, France
 Nazareth, Pa. 18064
 215-759-2290

Plants: Frederick, Maryland (1)
 Nazareth, Pa. (2)

Davenport Cement Co.
 FO - Cementia of Zurich
 P. O. Box 4288
 Davenport, Iowa 52808
 319-323-2751

Plant: Buffalo, Iowa (2)

Dixon-Marquette Cement Inc.
 Prairie Materials Sales
 Dixon, Illinois 61021
 815-284-3357

Plant: Dixon, Illinois (2)

Dundee Cement Company
 FO - Holderbank Group, Switzerland
 6211 Ann Arbor Road
 Dundee, Michigan 48131
 313-662-2547

Plants: Dundee, Michigan (2)
 Clarksville, Missouri (3)
 Holly Hill, South Carolina (3)
 (Santee Cement)

General Portland, Inc.
 FO - Canada Cement LaFarge, Ltd.
 P. O. Box 324
 Dallas, Texas 75221
 214-387-9800

Plants: Demopolis, Alabama (Citadel) (2)
 Lebec, California (Los Robles) (2)
 Miami, Florida (2)
 Tampa, Florida (2)
 Fredonia, Kansas (1)
 Paulding, Ohio (1)
 Cementon, Pa. (Whitehall Cement) (2)
 Dallas, Texas (1)
 Fort Worth (Balcones), Texas (2)
 New Braunfelds, Texas (2)

Genstar Cement & Lime Co.
 FO - Genstar Ltd., Canada
 215 Market Street
 San Francisco, Calif. 94105
 415-362-4224

Plants: Redding, Calif. (2)
 San Andreas, Calif. (2)*

Giant Portland Cement Company
 16 Berry Hill Road
 Columbia, South Carolina 29210
 803-254-4861

Plant: Harleyville, South Carolina (2)

Gifford - Hill & Company
 300 E. John W. Carpenter Freeway
 Irving, Texas 75062
 214-258-7000

Plants: Clarkdale, Arizona (Phoenix Cement) (2)*
 Crestmore, California (Riverside) (2)
 (also white cement)
 Oro Grande, California (Riverside) (3)*
 Harleyville, South Carolina (2)
 Midlothian, Texas (2)

Gulf Coast Portland Cement
 McDonough Company
 P. O. Box 262
 Houston, Texas 77001
 713-621-8580

Plant: Houston, Texas (1)

Hercules Cement Company
 FO - Joint venture including I.F.I. International, Italy
 Center Street
 Stockertown, Pa. 18083
 215-759-6300

Plant: Stockertown, Pa. (2)

Ideal Basic Industries
 P. O. Box 8789
 Denver, Colorado 80201
 303-623-5661

Plants: Mubile (Theodore), Alabama (3)
 Okay, Arkansas (1)
 Boettchen (Fort Collins), Colorado (1)
 Portland (Florence), Colorado (2)
 Trident, Montana (1)
 Superior, Nebraska (1)
 Tijeras, New Mexico (1)
 Ada, Oklahoma (2)
 Devils Slide, Utah (1)
 Seattle, Washington (1)

Kaiser Cement Corporation
 300 Lakeside Drive
 Oakland, California 94612
 415-271-2000

Plants: Permante, California (3)
 Lucerne Vallue California (3)
 Nanakull, Hawaii (1)
 Montana City, Montana (1)
 San Antonio, Texas (2)

Keystone Portland Cement Company
 7292 Park Drive
 Drawer A
 Bath, Pa. 18014-0058
 215-837-1881

Plant: Bath, Pa. (2)

Lehigh Portland Cement Company
 FO - Heidelberger Zement, A.G., West Germany
 P. O. Box 1882
 Allentown, Pa. 18105
 215-776-2600

Plants: Leeds, Alabama (2)
 Mitchel, Indiana (2)
 Mason City, Iowa (2)
 Independence, Kansas (1)
 Union Bridge, Maryland (2)
 Cementon, New York (1)
 York, Pennsylvania (1)
 (white cement only)
 Waco, Texas (1)
 (also white cement)
 Metaline Falls, Wasington (1)

Lone Star Industries
P. O. Box 5050
Greenwich, Conn. 06836
203-661-3100

Plants: Davenport (Santa Cruz), California (2)
 Pensacola, Florida (Lonestar Florida) (3)
 Ewa Beach, Hawaii (Cyprus Hawaiian) (1)
 Oglesby, Illinois (Marquette) (1)
 Greencastle, Indiana (2)
 Bonner Springs, Kansas (1)
 New Orleans, Louisiana (2)
 Hagerstown, Maryland (Marquette) (1)
 Cape Girardeau, Missouri (Marquette) (3)
 Superior, Ohio (Marquette) (1)
 Pryor, Oklahoma (2)
 Nazareth, Pa. (2)
 Pittsburgh, Pa. (Marquette) (1)
 Houston, Texas (2)
 Maryneal, Texas (2)
 Salt Lake City, Utah (1)
 (Portland Cement of Utah)
 Roanoke, Virginia (3)

Louisville Cement Company
P. O. Box 35750
Louisville, Kentucky 40232
502-585-3131

Plants: Logansport, Indiana (1)
 Speed, Indiana (2)

Medusa Corporation
Crane Company
P. O. Box 5668
Cleveland, Ohio 44101
216-371-4000

Plants: Clinchfield, Georgia (2)
 Charlesvoix, Michigan (3)
 Wampum, Pa. (2)

Missouri Portland Cement Company
H. K. Porter Company
7711 Carondelet Ave.
St. Louis, Missouri 63105
314-725-4400

Plants: Joppa, Illinois (3)
 Kansas City (Independence), Missouri (1)

Monarch Cement Company
P. O. Box 187
Humbolt, Kansas 66748
316-473-2225

Plant: Humboldt, Kansas (2)
 Des Moines, Iowa (1)

Monolith Portland Cement Company
P. O. Box 3303
Los Angeles, California 90051
213-240-8390

Plants: Monolith, California (1)*
Laramine, Wyoming (1)

Moore McCormick Cement, Inc.
P. O. Box 23965
Tampa, Florida 33622
813-933-6711

Plants: Brooksville, Florida (Florida Mining) (3)
Kosmosdale, Kentucky (Kosmos) (2)
Glen Falls, N. Y. (Glen Falls Cement) (2)
Knoxville, Tenn. (2)

National Cement Company
FO - Societe Anonyme des Ciments Vicat, France
110 Office Park Drive
Birmingham, Alabama 25223
205-870-7682

Plant: Ragland, Alabama (2)

National Gypsum Company
4100 First International Building
Dallas, Texas 75270
214-653-8511

Plants: Alpena, Michigan (Huron) (3)
Evansville, Pa. (Allentown) (2)

Northwestern States Portland Cement Company
P. O. Box 1008
Mason City, Iowa 50401
515-423-8231

Plant: Mason City, Iowa (2)

Rinker Portland Cement Corp.
Rinker Materials Corp.
P. O. Box K
West Palm Beach, Florida 33402
305-833-5555

Plant: Miami, Florida (2)

River Cement Company
FO - Joint venture including I.F.I. International, Italy
180 Weidman Road
Manchester, Missouri 63011
314-394-4144

Plant: Selma, Missouri (3)

Riverton Corporation (Capitol Cement)
 Riverton, Virginia 22651
 703-635-4131

Plant: Martinsburg, West Virginia (2)

Signal Mountain Cement Co. (R. C. Cement Co.)
 FO - Joint venture including I.F.I. International, Italy
 Route 5 Suck Creek Road
 Chattanooga, Tenn. 37405
 615-266-4172

Plant: Chattanooga, Tenn. (1)

SME Cement, Inc.
 Standard Machine & Equipment Co.
 50 West Main Street
 Uniontown, Pa. 15401
 412-437-0334

Plants: Middle Branch, Ohio (1)
 Sylvania, Ohio (1)
 Bessemer, Pa. (2)

South Dakota Cement Plant
 P. O. Box 360
 Rapid City, South Dakota 57709
 605-342-4252

Plant: Rapid City, South Dakota (2)

Southwestern Portland Cement Company
 Southdown, Inc.
 3055 Wilshire Blvd.
 Los Angeles, California 90010
 213-487-4930

Plants: Victorville, California (3)
 Lyons, Colorado (1)
 Fairborn, Ohio (2)
 El Paso, Texas (1)
 Odessa, Texas (2)
 Amarillo, Texas (1)
 Leamington, Utah (2)

St. Lawrence Cement Inc. (Independent Cement)
 FO - Holderbank Financiere Glaris, Ltd., Switzerland
 Mount Royal, Quebec, Canada

Plant: Catskill, New York (2)

St. Mary's Cement
FO St. Mary's, Canada

Plant: Detroit, Michigan (Peerless) (2)

Texas Industries
8100 Carpenter Freeway
Dallas, Texas 75247
214-826-6111

Plants: Artesia, Mississippi (United Cement) (1)
Hunter, Texas (TXI Cement) (2)
Midlothian, Texas (3)

ATTACHMENT V

PORTLAND CEMENT SHIPMENTS * (000 TONS)		PRODUCER PRICE INDEX FOR PORTLAND CEMENT 1967 = 100
<u>Pre-restriction</u>		
Oct. 1982	6468	334.5
Nov.	5159	334.4
Dec.	4271	326.3
<u>Period of Restriction</u>		
Jan. 1983	3530	326.4
Feb.	3320	332.4
March	4769	330.2
April	5336	339.1
May	6311	339.6
June	7417	340.9
July	7064	340.5
August	7883	346.3
Sept.	7442	347.9
Oct.	7342	346.8
Nov.	6156	340.5
Dec.	4174	338.6
Jan. 1984	3829	337.3
Feb.	4820	345.0
March	5490	356.5
<u>Post-restriction</u>		
April	6425	351.9
May	7807	357.3
June	8095	353.2

*Includes Portland cement imports purchased by U.S. producers and importers as reported to the Bureau of Mines.

Because of the seasonality factor in cement demand, monthly Portland cement shipments should only be compared to those in the same month of a different year.



OFFICE OF
THE ADMINISTRATOR

DEPARTMENT OF TRANSPORTATION
FEDERAL HIGHWAY ADMINISTRATION
WASHINGTON, D.C. 20590

October 12, 1984

IN REPLY REFER TO: HCC-10

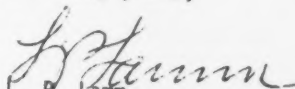
The Honorable Steve Symms
Chairman, Subcommittee on Transportation
Committee on Environment and Public Works
United States Senate
Washington, D.C. 20510

Dear Mr. Chairman:

This is in response to your letter dated September 6, 1984, concerning questions on the August 1 hearing on Buy America. Enclosed are answers to the questions for the record.

Please contact me if I can be of further assistance.

Sincerely yours,


L. P. Lamm
Deputy Administrator

Enclosures

- (1) What was the experience of State DOT's with cement procurement during the time of the domestic cement requirement? Also, did there seem to be some regions more affected than others by the restriction?

In general, cement produced in the United States is more expensive than imported cement. Therefore, it is valid to assume that those States in which imported cement had been used most extensively in highway construction prior to the Buy America cement restrictions may have experienced some slight increase in overall concrete costs during this period. We, however, do not have any definitive figures to support this assumption.

We are not aware of any significant regionwide shortages of domestically produced cement in the United States during the period cement was covered by the Buy America provisions of our governing legislation (January 6, 1983, to March 9, 1984). While spot shortages may have occurred in some areas for a variety of reasons, we could not verify that Buy America restrictions caused any such shortages. Had these restrictions been a cause, waiver provisions in the regulations (when cement was included) could have been used to reduce the effect of any spot shortages.

- (2) Please describe the types of comments FHWA received last year during the rulemaking process on the Buy America provisions as it applies to cement.

During the rulemaking period, we received over 80 comments from respondents concerned with the extent of the Buy America provision as it applied to cement (out of a total of more than 560 comments on all aspects of the proposed rule). The following information summarizing the 80 comments was included in the preamble to the final rule issued November 25, 1983.

Many of the commenters from the northern States specifically asked for a waiver in section 165 to allow the purchase of Canadian cement. These commenters included State highway agencies, ready-mix contractors, cement transporters, and various concrete associations. They argue that: supply by the domestic cement industry is inconsistent and the Canadian cement industry has provided a stable source of cement; Canadian cement producers have major investments in the United States which contribute to local taxes, domestic employment, and local business activity for the purchase of equipment and maintenance; the cost of concrete would increase due to increased prices of the limited domestic cement; additional capital investments would be necessary for domestic concrete producers to handle and store this cement; exclusion of Canadian cement would disrupt the market and alienate the Canadian producers who, for years, have been a very stabilizing influence; and, that it would create a hardship on domestic transporters of cement manufactured in Canada.

Domestic cement manufacturers welcomed the Buy America rule. A number of them suggested that the regulation should specifically state that cement made in the United States does not include cement made with imported clinker.

Comments from domestic manufacturers regarding the importation of foreign cement or clinker indicated that a rise in imports at the expense of an under-utilized domestic capacity could well result in a problem similar to that of the United States steel industry, which is attempting to compete against a flood of imports with existing domestic plants and equipment that are functionally obsolete. Approximately 90 percent of the production cycle is complete at the time the clinker has been produced and, therefore, 90 percent of the work force producing cement would be Canadian. Further, domestic manufacturers believed that the issues of public interest extend beyond the borders of an individual State. States should recognize in reviewing localized waiver requests that for every ton of Canadian clinker brought into this country, less work is available for American workers in the domestic cement industry.

- (3) There is said to be a difficulty in tracing the actual origin of cement. Can foreign cement be easily identified by a user, such as a highway contractor?

The specifications in use by most highway agencies require proof of inspection or producers' certifications as to the quality of the cement. These certifications are keyed to the different cement mills and, consequently, verification of where the cement was produced is easily determined. Verification of raw materials for the cement, such as clinker, would be more difficult to obtain because highway agencies do not usually check the sources of materials. However, reviews of delivery tickets may be possible to determine points of origin, if necessary.

- (4) How many States presently have Buy America requirements for cement?

Five States have Buy America requirements for cement: Connecticut, Minnesota, New Jersey, South Carolina, and South Dakota. In addition, the District of Columbia and Puerto Rico have such requirements.

- (5) Some witnesses cited a Commerce Department study (Construction Review, May-June 1983, page 25) which said that the Surface Transportation Assistance Act of 1982 would save or create over 1,600 jobs in the cement industry. According to FHWA data, has that been the case? How many jobs do you estimate the Federal-aid highway program is generating in the cement industry at present?

The Department of Commerce (DOC) has stated that it has never studied the employment effect of the Buy America restrictions on cement. Officials of the DOC do not know the source of the study attributed, mistakenly, to them. Instead, they have supported the latest analysis of employment effects which the FHWA and the U.S. Trade Representative's Office (USTR) have presented. The FHWA's and USTR's analysis indicates that only 80 to 90 jobs could be "saved" in the cement-producing industry by Buy America restrictions on cement. We estimate the Federal-aid highway program generates a total of approximately 1,800 jobs in the cement industry.



C · J · BURGESS & COMPANY

INCORPORATED

CANAJOHARIE, N.Y. 13317

TELEPHONE 518-673-3711

September 19, 1984

The Honorable Steven D. Symms
United States Senate
Washington, D.C. 20510

Re: Committee on Environment and
Public Works Buy American
Restrictions

Dear Senator Symms:

In reply to your letter of September 6th concerning my testimony before your Subcommittee on Transportation I submit the following answers to your questions:

1. New York State would suffer greatly from any restrictions put on the importation of Canadian cement. With the resurgence of construction in New York State, the Ready Mix producers are already experiencing delays in cement shipments as supplies are just barely keeping pace with the demand. Already we have experienced price increases in Ready Mix Concrete due to this increased demand. If Canadian cement was eliminated from the market place the construction industry in Western New York State would be in serious trouble due to the inability of domestic suppliers to meet demand and the creation of a non-competitive market place, meaning sharply higher prices.
2. During the recent period of the Buy America requirements we felt very little impact on our business. This was due to the fact that basically there was comparatively very little construction business at that time; work was just starting to pick up and had not reached a point of demand exceeding supply as it is today.

C. J. BURGESS & CO., INC.

The Honorable Steven D. Symms

- 2 -

September 19, 1984

3. The domestic cement industry problems are similar to that experienced by the steel industry, failure to keep up. Smoke stack industries have found it cheaper and easier to import their product rather than rebuild to produce their own. One of the largest American cement companies is also the largest importer of cement. I realize the problems are not simple ones, but like all business its the bottom line and the return on investments in heavy industry has not been as attractive as other new high tech industries. The new environmental concerns have also been a factor in the failure to build and improve cement plants.

4. The cost of setting up separate storage facilities would vary between \$25,000.00 and \$35,000.00 depending on the size of operation. There would also be an increased operating cost involved in trying to maintain separate facilities. This would not be economically feasible for the majority of small operators.

I would like to say that the experience of appearing before your Subcommittee was both interesting and enjoyable. I do hope that our industry will not be burdened with a Buy America requirement which will, in the long run, cost us jobs, inflate our construction costs and benefit no one.

Very truly yours,

C. J. BURGESS & CO., INC.

Richard J. Burgess

RJB/bd

QUESTIONS FOR C.J. BURGESS & CO.

- (1) There is a provision at present that seeks to restrict cement from foreign countries, but only foreign countries in North America. What effect would that requirement have on New York State if it were passed into law?
- (2) As a contractor, what was your experience with cement availability and price during the recent period of Buy America requirements?
- (3) Please describe what you think are the primary causes of the domestic cement industry's current problems.
- (4) What would be the cost of maintaining separate storage facilities -- that is, facilities for domestic cement which could be used in everything and facilities for imported cement which could be used in private construction but not Federal-aid highway construction?

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AREA CODE 202
 484-2030
 OF COUNSEL
 CHARLES R. MITCHELL

October 15, 1984

The Honorable Steve Symms
 Chairman
 Subcommittee on Transportation
 United States Senate
 Committee on Environment and
 Public Works
 Washington, D.C. 20510

Dear Senator Symms:

Mr. Curtis has asked me to provide the response to the questions submitted by the Transportation Subcommittee as follow-up to the Subcommittee's hearing on August 1.

Although seven questions were submitted, Mr. Curtis combined his response to two of these in his first answer. I trust this is acceptable and hope that you will not hesitate to contact me or Mr. Curtis if additional information is required.

Sincerely,

Peter M. Kirby

Encl.

PMK/ast

QUESTIONS FOR CANADIAN CEMENT INDUSTRY

- (1) Please explain the situation a U.S. cement company faces in attempting to secure Canadian highway and other construction projects?
- (2) How active are Canadian cement companies in owning and operating cement facilities in the U.S.?
- (3) What position have the major labor unions representing cement workers taken on the Buy America issue?
- (4) How many U.S. owned cement plants presently operate in New England and how does their total capacity compare to demand in that region? Also, what is the extent of the commitment made by Canadian suppliers to the region?
- (5) What is the extent of U.S. holdings in Canadian cement companies and import facilities?

QUESTIONS TO MR. EDWARD B. CURTIS, JR.

1. Can you describe the nature and effects of Canadian federal procurement laws with respect to cement, and relate any instances in which U.S. cement has been used in Canadian public works projects?

2. Representatives of the U.S. cement industry have charged that preferential Canadian procurement policies are harmful to American industries. Could you provide an overview of Buy American laws which the states have adopted?

1. There is no outright prohibition regarding the use of imported cement in either Federal or Provincial construction projects in Canada. Technically, a U.S. cement company attempting to secure Canadian highway and other construction projects may face various "preferences" intended to favor Canadian producers. However, the difficulty in accurately calculating the "Canadian Content" in complex construction projects has resulted, for example, in no restrictions on the source of cement used in Ontario government construction contracts. I believe that this situation pertains in the other provinces as well.

Examples of the successful participation of U.S. cement producers in Canadian public works construction abound.

National Gypsum Company, Cement Division, (Huron Cement), through Rapid Ready-Mix, Sault Ste Marie, Ontario has supplied cement used on contract 83-215 for the Goulet River Bridge near the Sault, and for a water treatment plant for the City of Sault Ste Marie. The same company supplied some 7,015 short tons of cement to C.S.W. Ready Mix, Windsor, Ontario for use on a section of the E.C. Rowe Expressway. Recently, Huron has supplied cement from its Alpena, Michigan facility to Glencoe Ready-Mix for use in road construction in the Town of Glencoe, Ontario.

Additionally, in British Columbia, Remple Brothers Ready-Mix, as user of Ideal Basic Industries' cement (Denver, Colorado), supplies ready mix concrete to countless Municipal and Provincial projects, and is currently supplying ready-mix concrete containing U.S. manufactured cement for construction of an overpass on the Trans-Canada Highway.

A final example is the Lehigh Cement from Metaline Falls, Washington supplied to Osoyoos Ready Mix in Osoyoos, B.C. for use in construction of a Royal Canadian Mounted Police facility.

These are but a few examples that strongly suggest that there is no real barrier to the use of U.S. cement in government sponsored construction projects at the Federal, Provincial or Municipal level despite the technical existence of "preferences" for Canadian procedures.

This circumstance, of course, contrasts quite sharply with the former reality of the absolute prohibition on the use of imported cement as a result of the Surface Transportation Act of 1982 and its implementation by Federal Highway Administration and the States in denying all statutory waiver requests.

2. Several Canadian companies have made a substantial commitment to facilities in the U.S. According to the North American Cement Review, five companies operate 12 Large Cement Distribution Terminals in the U.S., primarily on navigable water,

representing a capacity of some 426,500 short tons. Additionally, four companies have 6 production facilities representing total capacity of nearly 3 million tons.

3. I am advised that the International Brotherhood of Boilermakers --Cement, Lime, Gypsum and Allied Division is officially neutral on the position adopted by Congress in PL 98-229 which exempted cement from the Buy America restrictions of Surface Transportation Act of 1982.

4. The Cianbro Dragon Cement Co. operates a plant in Thomaston, Maine which is owned by Passamagoddy Properties of Portland, Maine. The plant has a capacity of some 440,000 tons per year. Nearly 2.5 million tons of cement are consumed in New England which, deducting the capacity of the Cianbro plant, leaves a shortfall of some 2.0 million tons which can only be made up by imports or shipments from New York and Pennsylvania. As I pointed out in my written statement, the cement industry in these two states simply cannot satisfy demand in the New England region, leaving imports from nearby Canadian mills as the only economically viable alternative. To meet this need, Canadian suppliers have invested heavily in the region and presently operate nine distribution facilities handling nearly 700,000 tons of cement.

5. To the best of my knowledge, only two U.S. cement companies have holdings in Canadian cement companies and import facilities. Lone Star has acquired Plastibeton Canada, Inc. of Montreal, a manufacturer of polymer concrete products and Ideal Basic Industries is in the process of developing an import facility in Vancouver, B.C.

6. A small number of states have enacted generic Buy America laws, while a considerably larger number have in force product-specific Buy America or Buy Local laws.

Six states have general Buy America laws; Alabama; Hawaii; Kansas; New Jersey; North Dakota; and Oklahoma. A total of 32 states have some type of product-specific Buy America legislation. 16 states have Steel Buy America legislation: Illinois; Indiana; Iowa; Maine; Maryland; Massachusetts; New Hampshire; New Mexico; New York; Ohio; Pennsylvania; Rhode Island; Vermont; Virginia; West Virginia; and Wyoming. Four states have implemented steel and cement Buy America policies: Connecticut; Michigan; Minnesota; and Nebraska. Montana's Buy America statute applies to steel, cement and paint, Mississippi's to steel and paint. Kentucky's legislation includes Buy America provisions for cement and aluminum, West Virginia's provisions go further, and encompass steel, aluminum and glass. There are four states with Automobile Buy America practices, Indiana; Louisiana; Nevada; and West Virginia. Maryland's Automobile Buy America statute contains an explicit exception for Canadian cars, and New Mexico has an Automobile Buy North America statute. Five states have Meat or Dairy Buy America policies: Colorado; Georgia;

Mississippi; South Dakota; and Wyoming. Indiana has enacted a Clothing Buy America statute.

In addition seven states give statutory preference to in-state bidders: Alabama; Alaska; Arkansas; Montana; South Carolina; West Virginia; and Wyoming. Hawaii; Massachusetts; and Oklahoma have enacted statutes expressing preferences for in-state goods, while the statutes in Arizona; California; Louisiana; and New Mexico express preferences given to in-state bidders and goods. Indiana and Washington have in-state preferences for coal only, and Alaska, Florida, Georgia and New Mexico have in-state preferences for lumber.

Finally, fourteen states have enacted reciprocity legislation, which specifies that where an out-of-state bidder is located in a state which gives an in-state preference, a similar preference is extended to in-state firms. The states with reciprocity legislation are: Florida; Idaho; Kansas; Louisiana; Maryland; Mississippi; Nebraska; North Dakota; Oklahoma; Pennsylvania; South Dakota; Vermont; Virginia; and Wyoming.

CIANBRO

September 17, 1984

Senator Steve Symms, Chairman
Subcommittee on Transportation
United States Senate
Committee on Environment and Public Works
Washington, D.C. 20510

Re: Buy America Provision
Interstate Cost Estimate

Dear Senator Symms:

Enclosed herewith are answers to the questions which you posed in your letter of September 6, regarding the Buy America Provision in the Federal-aid highway program.

Question:(1) Please describe why you favor the statutory Buy America protections over remedies already in existence for firms hurt by unfair trade practices?

Answer: We agree with the stated purpose of the Buy America Clause in the STAA of 1982. Highway user taxes paid by the American motorist should be used to protect and create American jobs not foreign jobs. The U.S. Trade Commission and the remedies you mentioned in existence are considered only on a national basis and not on regional impact. It is my understanding that in previous dumping suits there was evidence of dumping. However, they could not determine any national injury. It must be understood that cement can be economically transported by land transportation, i.e. railroad or truck, only a few hundred miles. With the exception of waterborne transportation, the situation by the very fact of the weight of the commodity involved becomes regional in nature. Thereby, only facilities such as ours, which is located very close to Canadian manufacturers, are affected. The Canadian manufacturers, even though they already have capacity that is double the need in their area, continue to expand with the expressed intent of shipping into the United States. At the same time, their government has in place restrictive regulations that deny U.S. producers the opportunity to supply cement to provincial and federal public works projects.

Senator Symms
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Question: (2) Has your firm ever filed a complaint with the U.S. Trade Representative's office concerning what you believe to be restrictive Canadian trade practices?

Answer: No we have not. It is our understanding that both Canada and the United States have exempted their transportation departments from the Government Procurement Code under the existing international trade agreements. Both countries, therefore, have the right to "Buy National" for government transportation projects. In addition, the cost of legal research and counsel to initiate an action would be prohibitive for a small company such as ours.

Question: (3) In what physical and financial condition was the Thomaston cement plant at the time your firm acquired it from Martin Marietta, and why did Martin Marietta want to sell?

Answer: The physical condition of the Thomaston cement plant at the time we acquired it was that it was a relatively new plant constructed in 1972. The plant was renovated and converted from an oil-fired plant to a coal-fired plant in 1980 in an attempt by Martin Marietta to make the plant competitive. As far as the financial condition, Martin Marietta's records indicated that it had lost money continually since the oil embargo of the early 70s. Martin Marietta's projections were that in the manner in which they operated it that it would continue to lose money in the future. The primary reason given by Martin Marietta in both public and private statements for the closing was the competition from Canadian firms who were selling cement in the Northeast at a price considerably lower than Martin Marietta's break-even price. Martin Marietta divested itself of all of its cement-producing plants. The Thomaston plant was one of approximately eight plants that Martin Marietta owned.

Question: (4) What is the role of the Passamaquoddy Indian tribe in the production of cement at the Thomaston plant?

Answer: The arrangement Cianbro Corporation has with Passamaquoddy Properties, an investment company

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controlled by the Passamaquoddy Indians, is that Passamaquoddy Properties is the owner of the land, buildings and plant equipment located at the Thomaston site. Cianbro Corporation has a 30-year lease on the facility and has total responsibility for management, control and operation of the facility. The arrangement with Passamaquoddy Properties is merely a lessee/lessor arrangement and the Passamaquoddies are in no way involved in the production of cement.

Question:(5) After the Thomaston plant was purchased, why was its distribution terminal in Wilmington, Massachusetts sold?

Answer: In our analysis of Martin Marietta's operation, it appeared obvious to us that the cost of transportation, the pass-through cost, and the additional trucking of cement from the Wilmington terminal increased the cost of delivery in the Massachusetts market to where it was impossible to meet the competition in that area. We have determined that the only way to service that market competitively is with possible waterborne transportation or by trucks directly from the Thomaston facility to that market area. Our analysis indicated to us that the attempt to operate the Wilmington terminal by Martin Marietta added to their financial difficulties and was not a cost effective operation.

Question:(6) Please explain why Cianbro initially planned to operate the Thomaston plant at half capacity or for just six months of the year.

Answer: I believe this question is in reference to some news reports where I was quoted as saying that was our plan. I believe there have been misquotes and quotes taken out of context from various statements which I made. We said at the time that it could be possible, in our analysis, to operate the plant on a six months basis as far as production of clinker is concerned. Clinker is the product produced by the kiln and eventually ground into finished cement. It would have always been necessary under any circumstances to operate the finishing process for the full year. Therefore, it was never our intent to operate the plant for just six months of the year, and it was always our intent to attempt to put the plant into full production as soon as possible which is really the only way that the operation can be financially successful.

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Question:(7) The May 7, 1984 Business Week reported that American cement manufacturers are in the midst of such a strong business boom that they are having difficulty filling all their orders. Why has the Thomaston plant not been part of the rebound?

Answer: I am familiar with the Business Week article of May 7, and the increase in cement production because of the STAA and increase in housing starts. Although it may be true that in spot instances some plants may be selling their entire production, it certainly is not true of the industry nationally. Approximately 72 million tons of cement were produced in 1983. Forecasts of consumption in 1984 are less than 80 million tons, and this still leaves unused capacity in the United States of approximately another 10 million tons. To further indicate that the "sold out" situation is strongly regional, General Portland Cement Company just announced last week the closing of a 600,000 ton per year plant in Miami, Florida because they could not be competitive with the Mexican imports into the Miami area. Specifically, the Thomaston plant has increased its production in 1984 over 1983 by about 30%. However, that still leaves an unused capacity of about one-third of the plant's capability or, in fact, about 170,000 tons which at today's market would be approximately \$10 million in increased sales and production at the plant.

I'm pleased to be able to provide you and the other members of the Transportation Subcommittee this additional information. Should you have any further questions, please don't hesitate to contact me.

Very truly yours,

CIANBRO CORPORATION

Ival R. Cianchette
Chairman

IRC/amf

**LONE STAR INDUSTRIES, INC.**

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Donald L. Heymann
Director
Corporate Relations

September 21, 1984

The Honorable Steve Symms
Chairman, Subcommittee on Transportation
United States Senate
Committee on Environment & Public Works
Washington, D.C. 20510

Dear Senator Symms:

On behalf of Robert F. Kizer, president and chief operating officer of Lone Star Industries, who testified before your subcommittee on August 1, I am submitting answers to the questions you sent to him on September 6, regarding Buy America restrictions in the Federal-aid highway program.

Sincerely,

Donald L. Heymann

DLH:1cp

QUESTIONS FOR LONE STAR INDUSTRIES

1. Several major U. S. industries have sought protectionism in recent years rather than adapting to change, modernizing their plants, and staying competitive. What steps has Lone Star taken to make itself more efficient and competitive?

Lone Star Industries has not and will not seek protection in any form from foreign competition. In fact, in the last 10 years Lone Star Industries has invested \$1.1 billion in expanding production capacity and improving the efficiency of its production and distribution systems. Energy represents 35 to 45% of the cost to produce a ton of cement including the fuel to change raw material into clinker and the electrical power to operate the machinery. We have significantly lowered the amount of fuel to produce a ton of domestic cement. In fact, btu's per ton of cement have been reduced 26% over the last 10 years. During this period we converted the primary fuel in our entire plant system from gas and imported oil to domestic coal.

Labor represents 15 to 30% of the cost to produce one ton of cement. Lone Star has reduced the manhours to produce a ton of cement 33% over the past 10 years.

2. Apart from imports, what in your view, are the primary causes of the domestic cement industry's current problems?

The economy over the last several years has caused the domestic cement industry's current problems. Interest rates have been high and the level of construction activity has been very low, forcing the price of cement and other construction materials down. We didn't, however, come here to present our industry's problems...all industries have problems...or seek protection for protection's sake. We believe federal highway construction projects paid by American taxpayers should be designed to create jobs for American workers, as stated in The Federal Transportation Assistance Act.

3. What percentage of the cement made by Lone Star goes for highway construction?

Approximately 20% of Lone Star's cement sales are used in highway construction.

4. Please describe why you favor restricting the use of foreign cement in Federal-aid highway projects--which represent only a fraction of the cement market--but not in other public works construction or building construction?

The amount of cement used in federally aided highway projects is not the issue, the real issue is restricting the use of foreign cement in Federally aided highway projects because The Federal Transportation Assistance Act was designed to create jobs for American not foreign workers. In the case of imports from Canada, we favor a "Buy America" provision until the Canadian government creates an environment of open access to their markets.

5. You mention the closing of 28 domestic cement plants in the last seven years. How many new, modern plants have been bought and built in that same period?

During this seven year period in which 28 (9.8 million tons of clinker capacity) cement plants were closed, approximately 30 new plants or expansions and improvements to older plants were put in place. This created 8.3 million tons of clinker (clinker is the substance which, when 5% of limestone is added, becomes cement.) capacity, costing nearly \$1 billion. U. S. cement is approximately a \$4 billion industry in terms of assets employed. The investment of nearly \$1 billion in this relatively short period indicates how hard the cement industry has tried to improve its efficiency and productivity.

6. In your testimony you state that the "U.S. cement industry is operating at only 75% of capacity." Could the industry operate at 100% capacity and still meet Clean Air requirements?

At Lone Star...and we believe this to be true for the industry...our plants are designed to operate at 100% of capacity and still meet federal and state Clean Air requirements.

7. Many Wall Street analysts are quoted in a June 25, 1984 Newsweek article, saying that Lone Star's financial difficulties are due to poor management. What is your response to their criticisms?

The two security analysts quoted in the Newsweek article have written letters to Mr. James E. Stewart, Chairman of the Board and Chief Executive Officer of Lone Star Industries, stating that they were grossly misquoted and/or their comments were taken out of context in the article to the point where their original meanings were distorted.

8. What financial interests, if any, does Lone Star hold in foreign cement companies or import facilities?

Lone Star Industries has the following investments:

Overseas Investments;

Compania Argentina de Cemento Portland SA Companhia Nacional de Cimento Portland Companhia Uruguaya de Cemento Portland

These companies operate exclusively in the countries in which they are located.

Cement Terminals:

In the U.S. Lone Star operates cement terminals capable of receiving imports in Redwood City, California; Long Beach, California (joint venture); Houston, Texas; New Orleans, Louisiana and Norfolk, Virginia.

9. Several American cement firms say that they need both domestic and imported cement to meet demand. The Portland Cement Association says that cement manufacture is a regional industry with cement plants located within 150 to 200 miles of their principal markets. How does the unused production capacity of the U.S. cement industry address regional needs where plants or supplies are inadequate to meet demand?

In areas where local supplies are inadequate cement companies outside the traditional 150 to 200 mile markets ship into these markets. The customer pays the higher freight cost.

10. What would be the cost of maintaining separate storage facilities--that is, facilities for domestic cement which could be used in everything and facilities for imported cement which could be used in private construction but not Federal-aided highway construction?

Most of the cement used in Federally aided highway construction is put in place by many domestic ready-mixed concrete companies that possess a limited number of storage facilities. The cost to build and maintain separate facilities would be, generally, prohibitive. Therefore, if they currently buy imported cement for Federally funded highway projects, they would tend to fill their limited storage facilities with the imported cement and use it for commercial projects as well.

11. The May 7, 1984 Business Week reported that the American cement business is on the rebound, and that demand is outpacing supplies. Why then are Buy America protections needed?

The issue here is not protectionism but that repair of American roads and bridges generate jobs and revenue for

Americans. In the case of Canadian competition, Canadian products should be barred from the U.S. highway program until U.S. manufacturers can gain access to Canadian markets.

12. There is a provision at present that seeks to restrict cement imports from Canada and Mexico. What is your view of that provision, and if it were passed, would that resolve the concern your company has with imports.

Obviously, we would like to have all imported cement subject to the "Buy America" provision but, we are willing to accept the compromise reached by the House. Perhaps an even better compromise would restrict cement used in Federally funded highway projects if such cement is produced in any nation whose cement exports to the U.S. are subject to any countervailing or antidumping duties until those duties are no longer in effect, and any nation that restricts U.S. cement producers from competing for highway projects in their country on a fair and equitable basis.

September 21, 1984

SUPPLEMENTAL STATEMENT OF
LONE STAR INDUSTRIES, INC.
BEFORE THE SUBCOMMITTEE ON TRANSPORTATION
OF THE
SENATE COMMITTEE ON ENVIRONMENT AND PUBLIC WORKS

- - - - -

RE: "BUY AMERICA" PROTECTION FOR CEMENT
IN FEDERAL HIGHWAY PROJECTS

- - - - -

SEPTEMBER 11, 1984

On August 1, 1984, this Subcommittee held a hearing on the subject of "Buy America" protection for cement used in Federal-aid highway projects. Lone Star Industries, Inc. submits this supplemental statement to address the major concerns expressed at that hearing by opponents of Buy America protection.

Before turning to those concerns, however, we wish to emphasize the most important fact that emerged from the hearing: none of the Administration officials denied that Canada refuses to allow U.S. cement producers to compete freely for Canadian highway jobs. As we demonstrated in our earlier submission, reciprocity is the crucial issue in this debate: U.S. taxpayers should not finance Canadian producers while Canada excludes our manufacturers from their proprietary markets. The Administration has offered many arguments as to why this country should turn the other cheek. But the Administration does not -- and cannot truthfully -- deny that Canada has flatly rejected reciprocity for U.S. cement in government projects.

With that basic fact in mind, we turn now to six myths disseminated at the hearing by opponents of Buy America protection.

Myth No. 1: "Buy America protection would not save many U.S. jobs." This was a common refrain of several of the government witnesses. For example, Associate Administrator Leathers of the Federal Highway Administration testified that: "While there could be regional impacts, it is unlikely that imported cement used in the program would have significant national impact." Statement at 2 (emphasis added). These "regional impacts," however, are precisely the problem: areas targeted by Canadian exporters have experienced the greatest numbers of plant closings and lost jobs. Saying that the impact of Canadian imports is not "national" does not comfort the laid-off workers in border areas around the United States.

Myth No. 2: "Buy America protection would significantly increase the cost of Federal highway projects." Not true. Cement accounts for a minor fraction of the cost of building a highway: for every \$100 in highway construction costs, cement is responsible for only about \$5.20. Thus, even if domestic cement used in a highway project were to cost 10 percent more than foreign cement (a highly unlikely assumption), the cost of the overall project would increase only by an infinitesimal amount (about one-half of one percent).

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Myth No. 3: "The Buy America requirement would force small ready-mix concrete producers to use U.S. cement on all their projects (not just Federal highway jobs), because they only have single storage silos and cannot mix foreign and domestic cement in them." This "single-silo" argument is an insult to the intelligence of the Subcommittee, because it assumes complete ignorance of the real-world operations of the concrete business. Federal highway projects are not awarded to "ma and pa" businesses with one storage silo and a couple of ready-mix trucks. On the contrary, highways are normally built by large pavers who routinely store different types of cement in different silos. It would be absolutely no problem for them to segregate their domestic cement in a separate bin.

Myth No. 4: "The Buy America requirement would lead to severe shortages of cement around the United States." This gloomy prediction is based upon a fallacious premise: namely, that the Buy America provision would restrict overall cement imports into this country. That, of course, would not be the case. Only Federal highway projects would be affected; all other cement users could buy their cement wherever they preferred. Moreover, the statute already provides that

foreign materials may be used if sufficient domestic materials are not readily available.

Myth No. 5: "The cost of cement would skyrocket in the United States if imports were excluded." This is a derivative of the "shortage" argument, and it is erroneous for the same reason: the Buy America requirement would not apply to non-highway cement purchases. Indeed, insofar as Canadian producers were foreclosed from highway projects, they would likely divert their excess supply to the commercial market, thereby lowering prices to private users. Moreover, this Subcommittee should look beyond short-term savings to the long-range effects of imports on prices. As testimony at the hearing established, Canadian producers charge far more for their product in Canada than they do when trying to penetrate the American market. Yet, in those areas where the Canadian producers have eliminated their U.S. competition, they have used their market power to raise the price far above that in nearby areas. If we remain passive while imports destroy more and more U.S. plants, we can ultimately expect far higher prices to replace the current foreign bargains.

Myth No. 6: "Reinstatement of the Buy America provision may lead to retaliation by Canada." That

argument addresses the ultimate issue in this debate: shall we negotiate trade policy from a position of weakness or of strength? Ambassador Lighthizer candidly admitted that the Canadian response to deletion of the Buy America requirement was not to remove Buy Canada preferences on cement, but rather to eliminate a surtax on U.S. specialty steel. Statement at 4. The Canadian government has had ample opportunity to allow U.S. cement producers to compete for Canadian highway projects, but it has refused to do so. Only by reinstating the Buy America requirement can we demonstrate that this nation will insist upon reciprocity in government procurement policies.

* * *

We do not claim, nor do we believe, that the Buy America provision will be a panacea for the serious problems confronting the U.S. cement industry. Nevertheless, we believe that such protection will signal to our neighbors that they cannot enjoy open access to our governmental markets until they afford U.S. cement producers reciprocal access. Above all, the Buy America provision will fulfill a basic purpose of the Surface Transportation Assistance Act: to ensure that the nickle-a-gallon gasoline tax is used to create American jobs.

CHICAGO
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MAYER, BROWN & PLATT

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CABLE LEMAYDC

September 24, 1984

Honorable Steven D. Symms
Chairman
Subcommittee on Transportation
Senate Committee on Environment and Public Works
SD-140 Dirksen Senate Office Building
Washington, D.C. 20570

Re: "Buy America" Protection for Cement
in Federal Highway Projects

Dear Chairman Symms:

Enclosed is (a) the response of the Cement Division of the National Gypsum Company to your questions dated September 6, 1984 and (b) a supplemental statement of the Cement Division in connection with your Subcommittee's August 1, 1984 hearing on Buy America protection for cement in federal highway projects. We would appreciate your including these documents at the appropriate place in the printed record.

Thank you.

Sincerely yours,



Charles S. Levy

CSL:acc
Enclosures

QUESTIONS FOR NATIONAL GYPSUM COMPANY

- (1) Your testimony mentions the efforts of the foreign cement industry to add capacity and modernize their plants. What similar steps are being taken by American cement companies to upgrade their facilities and stay competitive?
- (2) Why should the use of foreign cement be restricted where Federal-aid highway projects are concerned, but not in any other type of construction?
- (3) It has been said that the U.S. cement industry is operating at only 75 percent of capacity. Could the industry operate at 100% and still meet Clean Air requirements?
- (4) What would be the cost of maintaining separate storage facilities -- that is, facilities for domestic cement which could be used in everything and facilities for imported cement which could be used in private construction but not Federal-aid highway construction?
- (5) The May 7, 1984 Business Week reported that the American cement business is on the rebound, and that demand is outpacing supplies. Why then are Buy America protections needed?
- (6) There is a provision at present that seeks to restrict cement imports from Canada and Mexico. What is your view of that provision, and if it were passed, would that resolve the concern your company has with imports?

Response to Questions Directed to the Cement
Division of the National Gypsum Company by
Senator Symms in connection with the Hearing
on Buy America Protection for Cement in
Federal Highway Projects held on August 1, 1984
by the Subcommittee on Transportation

1. Dramatic changes have occurred in the U.S. cement industry over the last decade. The industry has modernized and replaced old facilities in order to improve its competitiveness. As a result, the industry has increased both labor and energy efficiencies, the two major cost components in the production of cement. During this time, the U.S. cement industry has consolidated and has shut down 36 obsolete plants and 158 kilns. These plants and kilns have been replaced by 39 modern plants and 73 new kilns. As a result, cement capacity today is basically the same as in 1970, but new equipment now accounts for 44% of total production capacity. Because of this modern equipment, energy consumption has fallen by over 20% since 1972. Equally important is the fact that over 96% of all kilns in the United States now burn coal instead of more expensive oil and natural gas, compared to only 30% in 1974. Improvements in labor efficiency have resulted in a 50% gain in productivity since 1960. In order to reduce transportation costs our company, for example, uses a fleet of six vessels specially constructed to haul bulk cement. These types of commitments enhance our ability to compete with foreign competition.

However, the cement industry needs a Buy America provision in the Surface Transportation Assistance Act to create the economic environment necessary to continue these types of efforts.

2. A strong argument can be made to extend Buy America protection for cement used in all federal construction projects. Other countries, particularly Canada, severely restrict market access for U.S. cement companies. A broad Buy America provision would provide U.S. negotiators with the leverage necessary to negotiate a mutually beneficial reduction of all government procurement trade barriers affecting cement. However, the scope of legislation pending before the Subcommittee limits the application of such a provision to federal highway construction. This limited application should be adopted by the Congress on the merits, particularly when considered in the context of fairness and reciprocity in our trading relationships.
3. Yes. Air pollution control equipment works best when plants operate continuously for extended periods or at high utilization levels. Intermittent operations or low utilization can adversely impact the efficiency of the pollution control equipment.

4. The "single silo" argument used by the Canadian cement companies is simply not valid. Federal highways are normally built by large paving constructors who routinely set up on-site facilities to store cement used to make concrete. Of particular significance is the fact that the "single silo" argument was raised last year at hearings before state regulatory agencies in Michigan and New York. Both states discounted the argument and denied the Canadian requests for an exemption from the Buy America provision.

5. The Business Week article must be read in the context of three significant facts. First, the U.S. cement industry is just recovering from its worst recession in 40 years. Second, Business Week's observations are not unanimously accepted by other industry analysts. For example, Drexel, Burnham, Lambert and Valueline believe that profits for 1984 will be sharply below previous highs; and the industry's quarterly earnings as reported in the August 6, 1984 Wall Street Journal (a copy of which is attached) are not as rosy as the Business Week article. Finally, the cement industry is primarily a regional industry and the recovery has not reached all regions with the same magnitude. The Business Week article focused primarily on the West Coast market area. In our major marketing region, the Great Lakes area, capacity utilization in 1983 was below 70%. From 1979 to

1983 cement shipments dropped by 22% to the lowest levels in 40 years. The moderate rebound in 1983 and 1984 is reversing a severe financial situation but we still have a long way to go.

6. Enactment of a Buy America provision covering all imports is preferable. Cement is currently being imported into the United States from about 21 countries. In 1983, cement from countries other than Mexico and Canada accounted for almost 30% of the 4.2 millions tons of cement imported into the United States. Imports from these countries are expected to continue to expand substantially. Any region accessible by water will be impacted by imports. For example, Spanish cement is now being sold in Minnesota.

Industry-by-Industry Quarterly Earnings

The columns below show, by industries, earnings reported for the first quarter of 1984 and those for the like quarter of 1983, with percentage changes. Where individual company reports cover three-month periods other than calendar quarters, the nearest comparable periods have been used.

The table reflects the fact that many companies have closed down facilities, sold off assets or otherwise restructured operations. The "net income" columns include both income from operations and the gains or losses associated with the companies' moves to reshape themselves. The "net on continuing operations" columns, insofar as possible, exclude such gains or losses. In cases in which the after-tax size of the gains or losses hasn't been reported, they are retained in "net on continuing operations." The effect is to show how each industry would have fared in the quarter if its companies throughout the quarter had been structured as they were at the end of the period.

	NET ON CONTINUING OPERATIONS			NET INCOME		
	2nd Qtr. 1984	2nd Qtr. 1983	% Chge	2nd Qtr. 1984	2nd Qtr. 1983	% Chge
11 Aerospace Companies	\$641,731,000	\$528,504,000	+ 21	\$642,322,000	\$528,787,000	+ 21
13 Airlines	419,348,000	79,857,000	+ 425	447,913,000	79,857,000	+ 461
10 Autos & Equipment	3,176,385,000	1,783,396,000	+ 78	3,529,785,000	1,925,196,000	+ 83
7 Broadcasting Companies	223,717,000	183,550,000	+ 22	240,317,000	183,550,000	+ 31
13 Building Materials	339,919,000	188,969,000	+ 80	344,117,000	194,205,000	+ 77
7 Building Supplies	327,728,000	196,009,000	+ 67	327,728,000	200,802,000	+ 63
6 Cement Companies	12,191,000	-7,040,000		16,389,000	-6,597,000	
19 Chain Stores	270,849,000	219,942,000	+ 23	411,099,000	223,960,000	+ 84
9 Grocers	152,152,000	125,333,000	+ 21	92,402,000	129,351,000	+ 126
10 Drug & Variety	118,697,000	94,609,000	+ 25	118,697,000	94,609,000	+ 25
17 Chemicals	1,534,324,000	1,023,282,000	+ 50	1,503,124,000	1,027,647,000	+ 46
12 Department Stores	594,407,000	518,869,000	+ 15	595,632,000	520,069,000	+ 15
3 Distillers	104,940,000	77,163,000	+ 36	104,940,000	77,163,000	+ 36
16 Drug Manufacturers	1,264,666,000	1,174,634,000	+ 8	1,264,371,000	1,180,483,000	+ 7
22 Electrical Equip-Electron	1,321,270,000	852,472,000	+ 55	1,226,770,000	870,472,000	+ 41
9 Broad-Line	1,032,554,000	799,788,000	+ 29	1,034,454,000	816,788,000	+ 27
13 Specialty	288,716,000	52,684,000	+ 448	192,316,000	53,684,000	+ 258
4 Farm Equipment	22,618,000	-220,356,000		28,440,000	-220,356,000	
18 Food Products	630,653,000	623,733,000	+ 1	556,478,000	616,408,000	- 10
17 Forest Products	635,024,000	346,944,000	+ 83	635,024,000	351,444,000	+ 81
9 Mining & Nonferrous Metal ..	150,936,000	-71,233,000		165,149,000	-71,367,000	
10 Office Equip & Computer	2,133,863,000	1,835,667,000	+ 16	2,133,863,000	1,835,944,000	+ 16
19 Petroleum Products	5,113,780,000	4,366,707,000	+ 12	5,113,780,000	4,713,948,000	+ 8
12 Publishing Companies	320,962,000	275,094,000	+ 17	320,962,000	277,484,000	+ 16
4 Railway Equipment	45,149,000	23,450,000	+ 93	45,149,000	23,450,000	+ 92
9 Rubber Companies	235,751,000	121,751,000	+ 94	233,751,000	128,351,000	+ 84
15 Steel Manufacturers	226,623,000	-383,436,000		268,130,000	-384,392,000	
10 Textiles	79,900,000	73,337,000	+ 9	79,900,000	73,261,000	+ 9
6 Tobaccos	628,883,000	559,441,000	+ 12	656,384,000	581,516,000	+ 13
28 Tools & Machinery	286,202,000	-99,556,000		288,197,000	-92,662,000	
108 Other Industrials	3,613,951,000	2,969,786,000	+ 22	3,210,482,000	2,022,723,000	+ 59
Total 412 Industrial Cos.	24,015,851,000	17,252,227,000	+ 39	24,048,079,000	16,667,140,000	+ 44
9 Railroads	726,654,000	459,281,000	+ 58	727,346,000	830,526,000	- 12
78 Utilities	3,492,941,000	2,862,800,000	+ 22	3,510,567,000	2,864,269,000	+ 23
19 Banks	-5,634,000	1,232,810,000		-5,634,000	1,237,110,000	
Total 518 Concerns	28,229,812,000	21,807,118,000	+ 29	28,280,358,000	21,599,045,000	+ 31

Supplemental Statement of the Cement
Division of the National Gypsum Company
on Buy America Protection for Cement in
Federal Highway Construction Projects

1. During the Subcommittee's hearing, an Administration official stated that he thought approximately one-half of all states had Buy America provisions that would cover cement. We recently contacted the states where we sell cement in the Great Lakes and Middle Atlantic regions and only one state (Minnesota) has any type of Buy America protection -- a 5% preference on price which is not enforced. North Dakota, Wisconsin, Illinois, Indiana, Michigan, Ohio, New York, Pennsylvania, West Virginia, District of Columbia, New Jersey, Delaware, Connecticut and the other New England states do not have any Buy America preferences.
2. The reliance on national import statistics by Administration witnesses ignores the fundamental economic reality that the cement industry is a regional not a national business. In the Great Lakes region, our major marketing area, imports in 1983 accounted for approximately 15% of total shipments. Current statistics indicate that this percentage will increase by at least two to three percentage points in 1984. We also expect a substantial increase in imports over the next five years. Such an increase could ultimately result in a 30% import penetration in the Great Lakes region.

3. The witness for the Canadian cement industry stated that an important role of imports is to supplement demand during shortages and thereby stabilize the marketplace. Canadian imports do not play this role in the Great Lakes region, where the majority of imported Canadian cement is sold. According to industry and government reports, U.S. cement companies in the Great Lakes region have been operating at the lowest utilization levels of any region in the United States. During the last two years, imported cement has captured a higher market share than it did during the peak consumption period of 1972-1974.
4. We disagree with the conclusions drawn by the Administration's witnesses that few, if any, jobs would be affected by the Buy America provision. The positive impact of a Buy America provision in the Great Lakes region alone is significant. With increased sales as a result of the Buy America provision our company could call back an additional 30 to 40 personnel in our distribution operations alone. In addition, we anticipate that increased production would have a ripple effect in our production operations and throughout the local communities where we operate facilities, resulting in at least another 60 to 80 jobs. These results indicate clearly that a Buy-America provision would have a positive impact beyond just the manufacturing operations of our company.

QUESTIONS FOR MR. E. DEL SMITH

1. In your testimony you emphasized that the availability of imported cement is important to assure adequate supplies and to protect American jobs. In your view, can the demand for cement in your region of the country presently be met without the availability of imported product?

2. Mr. Kizer of Lone Star Industries in his statement indicated that imports have harmed American cement firms. Apparently, Lone Star recently purchased 50 percent of Pacific Coast Cement, a cement terminal in Long Beach, California. I understand that Pacific Coast is now or has been a major importer of cement from such countries as Korea, Japan, and Australia, is that correct?

E. Del Smith Answers To Questions

1. No. The Bureau of Mines statistics indicate that domestic manufacturers are operating at capacity. This year 900,000 to 1 million tons of imported cement will be needed to meet the shortfall in California and Arizona.
2. Yes, this is true.

QUESTIONS FOR THE PORT OF LONG BEACH

- (1) Do you have an estimate of the number of jobs at the Port of Long Beach which are directly related to cement imports?
- (2) In what countries does the cement that is coming through Long Beach originate?
- (3) There is a provision at present that seeks to restrict cement from foreign countries, but only foreign countries in North America. What effect would that requirement have on the Port of Long Beach if it were passed into law?

E. Del Smith Answers to Questions

1. When an active ship is in port, there are thirty to thirty-five jobs directly related to cement imports.
2. Cement coming through Long Beach originates in Spain, Korea and Japan.
3. In general, new restrictions on imports invite reciprocal action by other countries. This affects the amount of trade going through the Port of Long Beach and the amount of revenue collected by Customs for the U.S. Treasury.

Canadian Embassy



Ambassade du Canada

1746 Massachusetts Ave., N.W.
Washington, D.C. 20036

September 18, 1984

The Honourable Robert T. Stafford
United States Senate
133 Hart Building
Washington, D.C. 20510

Dear Senator Stafford,

As you know, the House of Representatives has passed a Bill (H.R. 5504) containing an amendment which would again place cement within the coverage of the Buy America restrictions of the Surface Transportation Assistance Act. The Bill would also increase the domestic content requirements for rolling stock from the current 50 percent to 85 percent.

The longstanding opposition of my government to the restrictive Buy America provisions of the Surface Transportation Assistance Act is well known to you. The possibility of renewed or expanded restrictions affecting Canadian cement and rolling stock reinforces our concerns on this issue. The lifting of restrictions on cement by the United States Congress in March of this year was an important step in removing obstacles to trade between our two countries, and helped to foster an environment for freer trade. Canada responded to this positive initiative in June by lifting tariff surcharges applied to certain U.S. specialty steels. Accordingly, anything you could do to prevent the reinstitution or expansion of restrictions to Canada/U.S. trade in cement and rolling stock would be greatly appreciated.

.../2

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On a related note, I would like to applaud your efforts in Senate Bill S 2527 to restore the \$500,000 threshold exempting smaller projects from Buy America restrictions. The success of this effort would mark a major step toward freer trade between the U.S. and Canada, and would be of significant benefit in ensuring competitively priced sources of supply for the U.S. transit industry.

Yours sincerely,

Allan Gotlieb
Allan Gotlieb,
Ambassador.

Davenport Cement Company

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P.O. Box 4288
Davenport, Iowa 52808

E. E. Seyfried, Jr.
President

Telephone (319) 323-2751

July 9, 1984

Honorable Steven D. Symms
Chairman of Transportation Subcommittee
United States Senate
480 Russell Building
Washington, D.C. 20510

Dear Senator Symms:

I would like to submit the following as written testimony for your August 1 meeting of the Subcommittee on Transportation.

The World Bank and International Monetary Fund have financed cement production facilities all around the world. The cost of operating production facilities is further subsidized by every host government. In addition, fleet owners are providing "sweetheart" rates, subsidized by host governments, for cement hauling. All this, with the dollar growing stronger every day and every debtor nation working every machination to attract dollars. Spanish cement is being unloaded in Shakopee, Minnesota today at delivered prices totally unrealistic except for foreign government subsidy.

The United States is the last market in the world that bears any semblance to being free. For example, in spite of the fact most Canadian cement buyers are owned by Canadian portland cement producers (Canada looks more favorably on vertical integration than the United States), Canada specifies "Buy Canadian" on materials used in construction. During 1983 the value of goods Canada exported to the United States was \$52.1 billion. They imported from the U.S. only \$38.2 billion worth of goods, creating a trade deficit of \$13.9 billion for the U.S. A Commerce Department forecast sees a similar trade imbalance for 1984.

I don't care what was included or what was not included in federal legislation formerly. Economic evolution has brought us to a state where we try to play a new game under old rules. We cannot! The United States portland cement industry must be specified on work provided by the Surface Transportation Assistance Act of 1982. The taxes wrung from the American taxpayer by this act must provide jobs for Americans. In a letter written July 21, 1983, and signed by Senators Chafee and Percy (together with 16 other senators listed below) to Secretary of Transportation Dole said this in Paragraph 1:

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"In an effort to accelerate economic recovery, Congress included a "Buy America" provision in the new law: that provision requires that highway and bridge repair and construction work be done with American steel, cement, and other "manufactured products," thereby creating additional jobs for American workers."

Other Senators signing this letter to Secretary Dole:

Lawton Chiles	Robert T. Stafford	Walter D. Huddleston
Edward M. Kennedy	Claiborne Pell	Gordon J. Humphrey
Paula Hawkins	Paul E. Tsongas	Christopher Dodd
John W. Warner	William S. Cohen	Warren Rudman
Richard G. Lugar	Don Nickles	George J. Mitchell
Steven D. Symms		

In light of rising interest rates, strong dollar, and subsidized competition, the need to reinstate portland cement under the "Buy America" provision is more needed today than when those 16 U.S. Senators wrote those words to Secretary Dole just one year ago.

Recently, many congressman took the case for steel import quota legislation to the floor of Congress. Their remarks, concerning steel, are just as valid for portland cement.

Senator Specter (R-PA.) "Steelworkers are being taxed to provide foreign aid to nations that turn around and use this aid to subsidize their steel exports to the U.S. There is little chance for our domestic industry to compete fairly. Given this bleak scenario, there is little we can do but provide a brief respite from foreign imports to allow U.S. producers to modernize and revamp their present plants and equipment."

Senator Sarbanes (D-MD). "...There is strong evidence that the industry is suffering from unfair competition that goes well beyond the effects of comparative advantage."

Senator Riegle (D-MI). "...Foreign competitors are benefitting not only from government subsidies and trade restrictions but also from outright government ownership..."

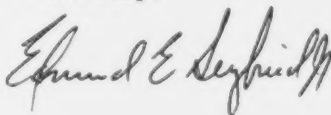
Senator Percy (R-IL). "The problems facing the steel industry are of a global nature that stem primarily from worldwide over-capacity in production. The recession that ended recently resulted in a sharp reduction in the demand for steel products in Europe and the Third World. Much of the excess supply in steel has been diverted to the American market - the most open market in the world - at unfair price levels. Steelmakers have been hampered in their efforts to modernize production by severely depressed price level for steel products."

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Senator Byrd (D-WV). "Over the past two years, the ITC and the Commerce Dept. have determined that a large number of countries are violating American trade laws by subsidizing and dumping steel imports in the U.S."...

The American citizen may choose to support the foreign worker if that pleases his narrow view, but taxes extracted from the American worker must create jobs for Americans. I ask only that portland cement purchased by the tax dollars created by the Surface Transportation Assistance Act of 1982 be restricted to portland cement manufactured entirely in the United States.

Sincerely,



EES:ah

cc: James Leach, U.S. Congressman
Charles Grassley, U.S. Senator
Roger Jepsen, U.S. Senator

BEFORE THE
SUBCOMMITTEE ON TRANSPORTATION
OF THE
COMMITTEE ON ENVIRONMENT AND PUBLIC WORKS
OF THE UNITED STATES SENATE

PERTAINING TO
"BUY AMERICA" RESTRICTIONS
REGARDING THE USE OF
FOREIGN CEMENT IN
FEDERAL AID HIGHWAY PROJECTS

STATEMENT BY
MR. EDWARD T. BAILEY
PRESIDENT
INDEPENDENT CEMENT CORPORATION

INTRODUCTION

Independent Cement Corporation (ICC) is a New York State Corporation with headquarters in Albany and is a subsidiary of St. Lawrence Cement, Inc. of Canada. ICC has operated in the United States since 1970 employing more than 212 people with an estimated 1984 annual payroll of approximately \$4,100,000. Contributions are made to the economies of the communities where facilities are located through the purchase of supplies, utilities and the payment of \$1,200,000 in property taxes. Our capital assets total \$70 million. A major new \$20 million distribution facility was recently opened in Duluth, Minnesota by St. Lawrence Cement, Inc. There are also distribution terminals in Albany, Buffalo, Oswego and College Point (Queens), N.Y.; Rocky Hill (Hartford), Conn.; Wilmington, Belchertown, and Everett, Mass.; Portland, Maine; Providence, R.I. and Tarentum, Pa. We have invested \$35 million in our Catskill, N.Y. operation. It is both a production and a distribution facility, with a rated capacity of 600,000 tons per year.

CEMENT AND THE CONSTRUCTION INDUSTRY

The critical nature of cement to the construction industry has best been presented by the U.S. Department of Commerce. In a recent cement situation report, it was stated,

... adequate cement supplies are a necessity for the construction industry
... for many applications there are either technically no substitute for cement, no cost-competitive alternative, or other product available in sufficient quantity to meet demand.

THE PROBLEM

It is understood that Congress is again being pressured to reinstate a "Buy America" provision for cement in federal highway legislation. Given the market situation in the northern United States, we submit that the exclusion of Canadian cement from federal highway projects would be unconscionable.

Evidenced by substantial investments in distribution and other facilities indicated above, ICC and the other Canadian cement suppliers as well, have made a long-term commitment to the U.S. market. As a result of these investments, Canadian cement has become a reliable source of

material for the construction industry throughout the northern United States. For instance, in western New York State alone, 90% of the cement distribution is handled by Canadian-based companies, such as ourselves, Lake Ontario Cement Ltd. and Canada Cement Lafarge Ltd. The Canadians filled a void left by domestic producers that abandoned the market previously due to uneconomical plants, not Canadian competition. The cement supplied by Canadian producers, if excluded, could only be replaced through the following:

- 1) Domestic manufacturers may construct new facilities. However, new investment is unlikely, since most firms have not been inclined to invest in the northern tier states. New capacity would entail enormous costs (e.g. \$100-350 million) which would be reflected in increased expenditures for federal highway and other construction projects.

- 2) While they are not doing so, domestic manufacturers in other regions may ship cement to the northern states -- which is an equally unattractive alternative. Cement, due to its weight, is extremely expensive to ship long distances overland, so exorbitant transportation fees would also mean rising cement, and thus construction, costs.

BACKGROUND OF THE CURRENT CEMENT SUPPLY SITUATION

After an extended growth period during the 1950's, the cement industry in the United States drastically over-expanded its capacity in anticipation of an increased demand in the 1960's that never materialized. The disastrous price competition fostered by the resulting over-supply of cement reduced the industry's earnings to extremely low levels. These low returns on investment compelled many domestic companies to diversify outside of the cement industry and to delay the necessary modernization of their physical plants.

Despite two periods in the 1970's in which there were cement shortages, the domestic companies' investment incentive remained low. During the early 1970's, federal price controls limited the profits to those earned by the industry during the years 1968-1970, which was the worst earnings period on record. Added to the stranglehold of federal price controls were costly anti-pollution expenditures required by federal legislation and the necessity for rapid coal conversion outlays in the face of skyrocketing oil prices.

High operating costs along with the other factors stated above, left many firms unable or unwilling to undertake the multi-million dollar plant projects required to keep them competitive. This serves to emphasize the capital-intensive

aspect of the cement industry. These problems were especially acute in areas with unpromising growth expectations, such as in many parts of the northern United States. Most industry investment focused instead on the Sun-Belt states, which left a dearth of domestic supply to service the needs of cement customers in the northern tier states. The following listing of plant closings, affecting the supply of available cement, demonstrates the decrease in capacity in the northern states. Again, these plant closings were independent decisions based on old unprofitable plants and had no relationship to Canadian competition.

CEMENT PLANT CLOSINGS 1970-1983

<u>Company</u>	<u>Plant Location</u>	<u>Operating Capacity*</u>
Lehigh	Buffalo, NY	280,500 tons
Penn Dixie	Howes Cave, NY	287,300 tons
Universal Atlas	Hudson, NY	569,500 tons
Hudson Cement	Kingstone, NY	639,200 tons
Century Cement	Rosendale, NY	143,650 tons
Alfa	Jamesville, NY	143,650 tons
Lehigh	Alsen, NY	391,000 tons
Martin-Marietta	Northhampton, PA	357,000 tons
Medusa	York, PA	377,400 tons
National	Brodhead, PA	319,600 tons
Penn Dixie	Nazareth, PA	274,550 tons
Universal Atlas	Northhampton, PA	362,950 tons
Universal Atlas	Universal, PA	403,750 tons
TOTAL PRODUCTION LOST		4,550,050 tons

* 85% of Rated Capacity

Source: Historic Portland Cement Association data.

The cement shortage six years ago proved to be a catastrophe for the American economy. Cement allocation, rationing, or total lack of supply brought escalating costs, construction delays and cancelled projects. Disrupted building

schedules forced operations to close, causing labor lay-offs, and lost wages. States sued one another or appealed to the federal government for relief. However, the primary damage was to the concrete firms that faced rapidly rising cement prices, undependable sources for often unattainable raw material, reduced work days and forced suspension or closing of their facilities. In short, 1978 proved to be a multi-billion dollar disaster for the American economy.

The catastrophic 1978-79 shortage created much uncertainty among cement users. They read the Citibank of New York reports that the cement industry's return on net worth fell in 1982 for the third straight year to an all time low of 1%. The cement users realized this 1% return meant little enthusiasm by cement producers for the capital investments necessary to revitalize the cement industry in the northern United States.

SUPPLY/DEMAND FORECASTS

In any event, the long awaited resurgence of the U.S. economy has commenced. This means not only increased capital expenditures for industrial expansion, but a massive rehabilitation and building program to supply the pent-up demand for housing, the repair and modernization of our

interstate highway system and the need for large amounts of cement to construct mass transit facilities in our cities. These massive rebuilding efforts, coupled with the aforementioned decrease in capacity, have led to cement shortage predictions by such recognized authorities as the Portland Cement Association, an organization of cement manufacturers representing approximately 75% of cement industry production capacity in the United States and 100% in Canada.

Further, domestic companies anticipate shortages. In the 1982 Lone Star Annual Report, the following prediction appeared:

During the same period (the mid-1970's) the industry was changing rapidly. Many older and badly maintained cement plants were closed because of high costs and poor market conditions. Even with the addition of significant new capacity, the industry's ability to produce cement today is less than it was just five years ago. Moreover, the real capacity of the U.S. cement industry is generally conceded to be substantially less than its official "rated" capacity ... Accordingly, there is a greater risk of tight supplies of cement in the years just ahead. Since it takes up to \$200 million or more to construct an efficient cement plant, and three to five years [to come on line] . . . there can be no early relief to this tight supply problem. In time, with adequate earnings, new plant investments will become attractive - but in the meantime, the regional spot shortages of 1973 and 1978-79 will recur. [Emphasis added]

Roy A. Grancher, an internationally known author and speaker on the marketing of building materials, especially with regard to the cement industry, states in the July 1984 issue of Pit and Quarry that there is "the expectation that sustained recovery can lead again to a national requirement outpacing available domestic output. In other words, another cement shortage later this decade." [Emphasis added] He goes on further to state, "with minimal addition but forecasted increasing cement demand, the supply gap again can be filled by imports." [Emphasis added]

In the July 22, 1984, edition of Call Chronicle (Allentown, PA), Keystone Portland Cement Co. Chairman Roblee Martin states, "This year we are shipping everything we can make." In addition, another industry president, Paul R. Tregurtha of Moore McCormack Resources, Inc., has been quoted in the May 7, 1984, edition of Business Week as believing cement prices will go up for a third time this year as "people calculate they are beginning to sell out."

A specific example of the supply problem is Lehigh Valley, PA, well known as the cement capital of the world. Because of its location, there is no import competition. However, due to the capital-intensive nature of the cement industry and the necessity to modernize in order to compete, a number of Lehigh Valley cement industries have not survived.

Many of the surviving firms are already at full or near full capacity production. As demand increases, the Lehigh Valley and other domestic cement producers will not be able to meet those demands. Plants and terminals in the northeast are currently running out of product, and intra-industry sales and exchanges have been affected to maintain continuity of supply.

THE PROBLEM IN THE NORTH

The aforementioned increase in cement demand forecast by industry authorities, coupled with decreased domestic capacity in the North, has resulted in a serious shortfall of cement for the entire northern United States. The northern states' production capacity was reflected in the Portland Cement Association 1982 Cement Plant Summary. From 1974 to 1982 cement clinker¹ capacity in the eastern region including New York, New England, Pennsylvania, New Jersey, Maryland, Virginia and West Virginia decreased by over 6.1 million tons. During this same time period, the cement clinker producing capacity of the Sun-Belt increased by nearly 3.7 million tons, while the Rocky Mountain/Northwest Region increased capacity nearly 1.4 million tons.

¹/Cement clinker is cement that has gone through the entire kiln process except for the final pulverization and addition of gypsum.

The gap between supply and demand resulting from the domestic industry's dramatic shift is being filled by Canadian suppliers. To exclude them from this market by any means would be unfair and unjust to both the Canadians and to the domestic concrete suppliers to whom they have been a constant, reliable source of cement. More importantly, it is contrary to the public interest.

Support of this public interest position is contained in the authoritative United States Bureau of Mines, Minerals Yearbook. According to the Yearbook, cement plants designated New York-Maine operated at 84.6% of capacity in 1973, a severe shortage year. In the most recent shortage years, 1978 and 1979, northern domestic plants were able to run at only 74.2% and 75.3% of rated capacity -- far from the 100% rated capacity figures quoted by domestics to allay cement shortage fears. The following demand/supply table for the area clearly indicates that without Canadian cement, there would have been a cement shortage in 1982, and certainly will be a severe shortage of domestic cement this year and in the years ahead.

DOMESTIC SUPPLY/DOMESTIC CONSUMPTION NORTHEASTERN REGION*

Capacity	<u>85%</u>	<u>1982</u>	<u>75%</u>	<u>1983</u> <u>75%</u>	<u>1984</u> <u>75%</u>
Production					
Totals	8,686,140	7,695,186	7,695,186	7,695,186	7,695,186
Consumption	<u>8,179,000</u>	<u>8,179,000</u>	<u>8,373,000</u>	<u>9,804,783</u>	
Balance	+507,140	-483,814	-677,814	-2,109,597	

* Production totals are based on a Portland Cement Association 1982 Plant Information Summary of 15 Domestic Portland Cement Plants which service New York State. Consumption figures for 1982 and 1983 come from the U.S. Bureau of Mines. Projected consumption figures for 1984 are based on recent Portland Cement Association forecasts of annual percent change in consumption for the eastern region: +5.3% in 1983, +6.7% in 1984. Seasonally adjusted annual shipping rates for the eastern region indicated an increase of 17.1% over 1983.

In comparing the supply of cement available versus the 1982 and projected demand figures, we must take into account that the total cement available as shown is also marketed in Ohio, West Virginia, Maryland, Washington, D.C., Delaware, Virginia, North Carolina, Georgia, Florida, and Canada. Domestic companies have substantial marketing commitments in those areas, including capital investment in distribution systems and terminals throughout the eastern seaboard. It is not practical to conclude that they would withdraw from these areas in times of short supply. In past years, the domestic companies have simply withdrawn from sections of the northeast and other northern overland long haul areas instead. During

the New York State Department of Transportation public hearing on a waiver requesting exemption from the Section 165 requirements, Atlantic Cement Company President Jack Gordon stated that only 20% of his company's available cement was shipped within New York State where the plant was located. The remaining 80% was shipped to other markets. This is a clear indication of northeast cement company commitments outside traditional regions. This is understandable since Atlantic Cement Company obviously has large investments in distribution terminals and developed markets in such places as New Haven, Conn.; Boston, Mass.; Newark and Bayone, N.J.; Baltimore, Md.; Norfolk, Va.; Savannah, Ga.; Jacksonville and Palm Beach, Fla.

The Canadian cement industry, therefore, is an essential part of the supply/demand relationship in both the northeastern United States and in other northern tier states. It provides a reliable and constant source of supply to the concrete industry in the northern states. To eliminate this source of supply by reimplementation of the "Buy America" clause risks severe cement shortages, creates serious hardship for the concrete industry, increases costs for the consumer and jeopardizes the completion of authorized federal construction and transportation projects.

DOMESTIC PRODUCERS IMPORT CEMENT

Evidence suggests that a number of domestic companies are supplementing their own production of cement with imports, because their full capacity output cannot fulfill or meet market demands. Listed below are domestic cement producers and the quantities of cement and cement clinker they have imported between December 1982 and July 1984:

NAME	US PORT	COUNTRY OF ORIGIN	TONS
Ideal Basic Industries, Inc.	Houston	Mexico	19,480
	New Orleans	Mexico	6,188
Florida Mining and Materials Corp.	Tampa	Canada	25,324
		Spain	5,509
Lehigh Portland Cement Co.	Baton Rouge	Australia	8,448
	Jacksonville	Denmark	19,303
Lone Star Industries, Inc.	New Orleans	Mexico	55,532
	Houston	Colombia	46,754
Gulf Coast Portland Cement Co.	Houston	Mexico	127,347
		Spain	94,130
Rinker Materials Corp.	Canaveral	Spain	92,197
	Everglades	Venezuela	24,402
		Spain	72,165

Source: Port Authority of Camden, N.J.

Furthermore, domestic companies are continuing to purchase cement from Canadian companies. As of this date, ICC, alone, has sold 2,500 tons of cement to Lehigh in Catskill, N.Y. and 1,700 tons to Lehigh in Providence, R.I. St. Lawrence has committed up to 10,000 tons to Lehigh at Duluth, Minn. and Coplay Cement has asked St. Lawrence for quotations on 30,000 tons of cement clinker for its Nazareth, Pa. plant.

U.S. CEMENT SALES IN CANADA

It has been stated on numerous occasions to the Congress that domestic companies are not able to sell cement in Canada. This is patently false. According to the Marketing Department of St. Lawrence Cement in Quebec, Canada, a number of instances have been gleaned from customers and reputable trade sources in which U.S. cement has been used on government or government-related projects in Quebec between 1982 and the present. While this list is certainly not all-inclusive, and is subject to the normal margin of error, it serves to illustrate that the Canadian market is not closed to U.S. cement producers. (See Appendix A).

As indicated, approximately 31,750 tons of U.S. cement were used in government or government-related projects in Quebec from 1982 through the present. The St. Lawrence Cement, Inc. Marketing Department has witnessed no conscious attempt by Canadian governmental authorities to restrict cement in

projects to only Canadian manufactured products. No mention of these types of restrictions are made in bid requests nor is there evidence of a restrictive policy being adopted on an unwritten basis. As can be seen from Appendix A, three U.S. cement suppliers, Glens Falls Portland Cement Company, Atlantic Cement Company and Lehigh Portland Cement Company have successfully bid on federal, provincial and municipal projects in Quebec.

In addition, the Huron Cement Company (a part of the Cement Division of National Gypsum) supplies U.S. cement to Canadian concrete producers and ready mix concrete firms in Windsor and Hamilton, Ontario. C.S.W. Ready Mix of Windsor, Ontario, a Canadian concrete supplier, completed a section of the E. C. Rowe Expressway, a national Canadian highway, with Huron Cement and has been buying from Huron since this project commenced in 1982.

As is noted in the above instances, U.S. cement suppliers have provided cement to Canadian government and government-related entities on a regular basis for the past several years. Therefore, it is obvious that the Canadian government and government-related markets are not closed to U.S. cement producers, as would be the case for Canadian producers in U.S. federal highway projects if "Buy America" were reinstated.

ADVERSE EFFECTS ON CEMENT USERS

It would appear at first glance that a cement "Buy America" provision would have little adverse effect on domestic cement users, because our federal highway program accounts for only about 6% of domestic cement consumption, and less than 6% of the U.S. market is made up of imports. However, "Buy America" presents many ready mix concrete producers with a major problem related to the combining of U.S. and Canadian cement in their storage silos. Many small, independent suppliers of concrete have only one silo. Those who have used Canadian cement in the past as a source of supply are faced with three economically disastrous alternatives if Canadian cement could no longer be used in federal highway projects under a "Buy America" restriction. The three choices for the small supplier are listed below:

1. The supplier could lay out a considerable capital expenditure to build an additional silo so that the segregation of domestic and non-domestic cement could be achieved. This option would be prohibitive for many operators because they simply do not have access to investment capital -- particularly when the concrete industry has recently experienced the worst economic period in the last 30 years. In addition, the already over-burdened small businessman would face additional paperwork and would have to carefully separate domestic and non-domestic materials.

2. The supplier could buy only domestically-produced cement and risk both a curtailment of supply from distant domestic producers and a higher cost product resulting from his diminished list of alternative suppliers. Small concrete operators know all too well that only through competition can they achieve the lowest cement prices. Kenneth Rowe, a Vice-President at Oak Grove Construction Company in Alma, New York, was quoted as follows in the Wall Street Journal when "Buy America" was in effect:

Right now there is only one American cement producer in our area. It gets down to one producer, one price. And if they go on strike, you're right out of cement. You don't have an alternative.

3. The last alternative is equally unpalatable, but the small concrete supplier could decline to quote on any federally funded highway projects. Sadly, many of the small suppliers would make this decision. If this is the choice of many, it will mean far fewer bids on federal projects and undoubtedly less construction mileage for the fixed number of federal dollars.

Not one of these choices is attractive from the perspective of the American consumer and taxpayer who will ultimately pay the construction costs.

U.S. JOBS

A conceivable U.S. benefit to be derived from the application of the "Buy America" provision to exclude Canadian cement would be a possible increase in employment in the domestic industry. On careful review, however, this is illusory. The cement industry is capital intensive, not labor intensive. Accordingly, we submit that "Buy America" would mean little change in U.S. cement worker employment.

It has been alleged that 1,800 jobs are potentially affected by "Buy America." On examination, the United States Trade Representative (USTR) certifies that less than 80 jobs would be affected and the cost to the taxpayers and to the highway program in the form of higher prices would be between \$21,500 and \$165,000 per job saved. Therefore, if the "Buy America" restrictions are forced upon this industry, it will create few American jobs, and will lead to loss of employment in firms such as small transportation, ready mix, and construction companies. The latter two are directly dependent upon an assured cement supply.

To support this premise, during the period 1955 to 1981, the number of cement workers declined from 43,000 to 30,500 - yet through automation, cement production increased from 50 to 87 million tons. This is directly attributed to technological advances which have allowed the reduction of manpower through the economy of size, process automation, computer control and improved monitoring techniques. In the present-day modern plants, labor is an intricate part of fixed overhead. These plants do not appreciably add or subtract workers whether the plant operates at full capacity or at 65% of capacity.

CONCLUSION

In short, large-scale attempts to substitute domestic cement in areas now serviced by Canadian manufacturers and distributors would mean significant price increases due to additional overland shipping distances and short supply. It also would entail delays both in the delivery and completion of federal projects. Not only would enforced use of domestic cement be costly, it would negatively affect the small independent ready-mix companies that depend on supplementing domestic supplies with imports, as well as transportation companies.

It is not in the public interest to reinstate a "Buy America" cement provision in federal highway legislation. Not only is the domestic cement industry on a healthy recovery from the recent recession, it cannot fulfill the needs of the domestic marketplace now or in the near future. Canadian imports fulfill a vital role by supplementing the domestic cement supply in northern border states. Without this imported cement, prices would increase dramatically, ready-mix company jobs would be in jeopardy and the timely completion of important federal highway projects would be at best, delayed.

APPENDIX A

GOVERNMENT PROJECTS USING U.S. CEMENT
1982 - 84

GOVERNMENT	SUPPLIER	QUEBEC LOCATION	DESCRIPTION OF PROJECTS	CONCRETE CONSUMED	CEMENT CONSUMED	CEMENT SUPPLIER	YEAR
Federal	Béton Drummond	Drummondville	Federal Prison	8000 m ³ *	2700 t. **	Glens Falls	1982-83
Provincial	Béton Rive Sud, St. Hubert	St. Amable	Public School	300		Glens Falls	1983
	Béton Rive Sud,	Ste. Julie	Public School	900		Glens Falls	1983
	Béton St. Hubert	Route 116/ Taschereau Blvd. St. Hubert	Overpass and exchange	3500		Glens Falls	1982
	Béton Ormstown	Valleyfield	Regional Hospital	7000		Glens Falls	1982
Federal	Béton Valleyfield	Valleyfield	Filtration plant	5000		Lehigh	1983
	Béton Argenteuil	Route 50	Overpass and exchange	1600		Atlantic	1984
	Béton Argenteuil, Lachute	Montbello	Kinongue Bridge on road to Montbello	300		Atlantic	1984
	Béton Argenteuil, Lachute	Route 329	Provincial Bridge and exchange, Drummondville	1100 19700 m ³		Atlantic	1984
	Béton St. Hubert	St. Hubert	Gaston Boucher hockey rink/ arena	800	6600 t.	Glens Falls	1983
	Produit Ciment Tremblay	Several Québec Municipalities	Pipes, sewars	9000		Glens Falls	1982-84
Municipal	Spino Montréal	Montréal	L'Acadie subway station	15000		Glens Falls	1982
	Spino Montréal	Montréal	Outremont subway station	15000		Glens Falls	1983

* = cubic meters

** = metric tons or approximately 1.1 U.S. tons

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GOVERNMENT PROJECTS USING U.S. CEMENT
1982 - 84

GOVERNMENT	SUPPLIER	QUEBEC LOCATION	DESCRIPTION OF PROJECT	CONSUMED CONCRETE	CEMENT CONSUMED	CEMENT SUPPLIER	YEAR
Municipal	Unité St-Luc	Montréal	Concrete paving	2500 m ³		Glens Falls	1983
	Béton Valleyfield	Valleyfield	Filtration plant (Canco Const.)	5000		Atlantic	1984
	Béton Valleyfield	Valleyfield	Sidewalks	1000		Lehigh	1983
	Béton Argenteuil, Lachute	Lachute	Water basin	1000		Lehigh	1982
	Béton Argenteuil, Lachute	Brownsburg	Sidewalks	150		Atlantic	1984
	Béton St-Hubert	St-Lambert	Transport Commission projects	1800		Glens Falls	1982-84
				<u>51250 m³</u>	<u>1~100 t.</u>		
	Béton St-Hubert	South Shore, Montréal	Utility work	6000 m ³		Glens Falls	1982-84
	Béton Ormstown	St-Étienne	Transformer station for utility	5000		Glens Falls	1982
	Béton Ormstown	St-Timothe	Transformer station for utility	5000		Glens Falls	1983
TOTAL				<u>16000 m³</u>	<u>5350 t.</u>		
				<u>94500 m³</u>	<u>31750 t.</u>		

PART - GOVERNMENT

KAISER CEMENT

KAISER CEMENT CORPORATION, KAISER BUILDING, 300 LAKESIDE DRIVE, OAKLAND, CALIFORNIA 94612

August 30, 1984

The Honorable Steven D. Symms
Chairman of the Subcommittee
on Transportation
410 Senate Dirksen Office Building
Washington, D.C. 20510

Dear Senator Symms:

Although we were not available to testify at the Subcommittee's August 1 hearing, we continue to actively support reinstating "Buy America" requirements for cement used in federal highway projects. Kaiser Cement Corporation is the largest cement producer in the Western United States and we have witnessed in recent years the undermining of the U.S. cement industry by the unfair trade practices of many of the cement importers. While Kaiser Cement, along with other cement companies and the cement workers union, have actively sought legal and legislative relief from these unfair trade practices, we believe it is vital that the Buy America provision of the Surface Transportation Assistance Act of 1982 (STAA) be preserved to promote the recovery so badly needed by basic U.S. industries and their employees. A major purpose of this Act was to promote employment within U.S. industries and the Buy America requirements for cement are necessary to help achieve this goal within the cement industry.

In 1982, the U.S. cement industry operated at 59 percent of capacity, the lowest level since World War II. Despite improved demand in 1983, the U.S. cement industry still operated at only 65 percent of capacity.

Last year, Kaiser reported a \$5.2 million net loss, its first since it became a publicly owned company in 1947. This loss occurred despite substantial manufacturing cost savings from a recent \$300 million modernization of our plants and a fifteen percent reduction in our salaried workforce. Many other cement companies also reported losses and staff reductions. A significant factor contributing to these losses has been the negative impact of foreign cement imports.

Although the Portland Cement Association predicts a ten percent increase in U.S. cement consumption for 1984, the industry will still be operating well below the U.S. production capacity. Despite these historically low levels of production, imports have continued to increase. Cumulative imports for 1983 were 43 percent above 1982, with Mexican cement imports increasing by 525 percent. For the first half of 1984, cement imports increased 102 percent. These imports obviously are not meeting any shortages of supply. In the unlikely event of a shortage, however, the STAA contains a provision which would allow the Buy America requirements to be waived.

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In the states in which Canadian cement is primarily sold, the Canadian imports represent an average of 20 percent of the market. Many of the U.S. cement plants which have closed in the last seven years are in these same states.

The issue of Canada's "Buy Canadian" requirements for cement, which is more encompassing than our "Buy America" requirements, has been well documented in the testimony of other cement companies. We think it is appalling, however, that Canada is lobbying our government to object to our having "Buy America" requirements which would apply to a much smaller quantity of cement than their Canadian preferences. What is even worse, is that many U.S. elected and appointed officials appear to have yielded to Canada's unfair and inequitable request.

While the lack of reciprocity with Mexico definitely exists, it is more difficult to document. An approximately ten percent duty is imposed by Mexico on cement imports which, however, can only be sold under a license which is known to be seldom granted, particularly during the past several years. In the recent past, Mexico has also prohibited sales of U.S. cement despite a previous agreement to permit such sales.

The Mexican government, through PEMEX, provides a massive energy subsidy to Mexican cement producers which is equivalent to approximately \$20 per ton of cement. This compares with an average U.S. price realization of about \$50 per ton. PEMEX provides fuel oil to Mexican cement producers at a small fraction (1/8th) of its true value - \$4.00/barrel vs. their export price of \$28-\$33/barrel. Because about half of the cost of manufacturing cement is attributable to energy, the Mexican subsidy gives its cement producers an unfair advantage that no U.S. producer, no matter how efficient, can overcome.

In 1983, Mexican cement and clinker imports totalled 826,433 tons for a CIF value of \$34 million. For the first quarter of 1984, Mexican cement and clinker imports increased 146 percent and increased 616 percent in Southern California. As a matter of fact, in Southern California, a new "express lane" is being constructed at the U.S. border to help the Mexican cement trucks enter the U.S. at a faster rate.

Mexican cement plants are reported to have an excess capacity of six million to ten million tons, much of which is available for export. Cement has a low value to weight ratio and is not generally shipped beyond a 200 mile radius. Since Mexican cement, however, receives the massive energy subsidy, it is shipping its cement and clinker thousands of miles from its plants. Mexican cement and clinker imports are being sold or quoted for sale not only along border and coastal states, but also in Utah, Montana and Alaska. We do not think U.S. taxpayers' dollars should be used to support unfair trade practices which are undermining a basic U.S. industry.

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We also wish to express our outrage at the "deal" which was made by the U.S. and Canada regarding specialty steel and cement. Mr. Lighthizer, Deputy U.S. Trade Representative, testified during the August 1 hearing that his office arranged with the Canadian government to seek the repeal of Buy America requirements for cement in exchange for the removal of its surtax on U.S. specialty steel. What made USTR decide that the U.S. cement industry should be the sacrificial offering regarding U.S. and Canadian policies on specialty steel? Insult is added to injury by the fact that our own government initiated the "deal."

In view of the purpose of the STAA to promote U.S. jobs, the still weakened condition of the U.S. cement industry, struggling to recover from its worst recession since World War II, and the unfair and inequitable competition created by many of the cement imports, we urge you and your colleagues to restore the Buy America requirements for cement to the STAA. Congress can address the U.S. steel industry's problems in a more direct manner than by trading away the legitimate interests of the cement industry.

Sincerely,

Walter E. Ousterman, Jr.
Chairman of the Board
President and Chief Executive Officer

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